

KHÂI- MA MUNICIPALITY



ANNUAL REPORT

2008/2009

	Page
1. Vision and Mission	3
2. Foreword by Mayor	4
3. Overview by Municipal manager / Oorsig van die Munisipale Bestuurder	5
4. Development Objectives	6
5. Priorities	6
6. Performance Areas	
6.1 Service delivery	7- 11
6.2 Institutional development and Transformation	11- 19
6.3 Local Economic Development	19
6.4 Financial Viability and Management	19
6.5 Good Governance and Public Participation	19- 20
ANNEXURES	
ANNEXURE A Employment Equity Report	22- 44
ANNEXURE B Financial Statemenst 2008/2009	45- 104

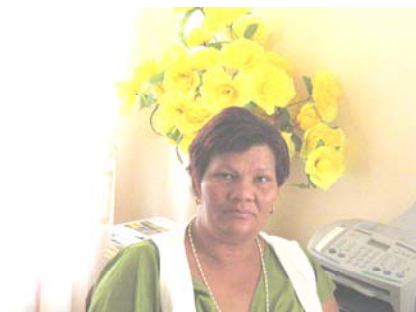
Vision

Khâi-Ma Municipality's vision is to ensure effective and high quality services to all inhabitants, improve the living standard of all inhabitants and the establishment of a favourable climate for investment to accomplish economic development;

Mission

Khâ- Ma Municipality will serve the communities in its jurisdiction by rendering affordable services and sustainable economic development through good, transparent local government and aggressive implementation of the Bathos Pele Principles.

VOORWOORD DEUR BURGEMEESTER



M. Bruintjies- Groenewald

As ons terug kyk na die afgelope jaar, dan besef ons hoe baie hard daar gewerk moet word om dienste aan al die inwoners te lewer. Twaalf (12 maande) is net nie genoeg om aan die behoeftes van mense te voldoen nie, veral as jy vertraag word deur betogings en 'n raad, wat as gevolg van 'n dooie punt tussen raadslede nie kon funksioneer nie.

Armoede, veroorsaak deur werkloosheid is ons grootste uitdaging en verg onverdeelde aandag. Die moontlike sluiting van Black mountain se myn te Aggeneys bedreig verdere werkverliese en groter armoede. Meer as die helfte van ons verbruikers is as armlastig geklassifiseer, wat betaling van belasting en dienste nadelig beïnvloed. Die inkomste basis word net kleiner en kleiner, terwyl subsidies deur die nasionale regering, net nie genoeg is om basiese dienste aan die armlastiges te lewer nie, veral as in ag geneem word dat die inwoners van Witbank nog nie toegang tot alle gratis basiese dienste het nie.

Die ekonomiese aktiwiteite in hierdie munisipaliteit se jurisdiksie, naamlik toerisme en landbou is nog nie ten volle ontwikkel nie as gevolg van 'n gebrek aan kundigheid en behoort meer aandag geniet, aangesien dit potensiaal toon. Tans is dit slegs die tradisionele blanke kommersiële boere wat voordeel uit die areas trek. Die voorsiening van grond aan agtergeblewendes te Onseepkans, vir beproeiingsdoeleindes is 'n stap in die regte rigting, maar baie moet nog gedoen word om die grondeienaars te vestig.

Verdere uitdagings is die oprigting van 384 huise in die bedieningsgebied, voorsiening van elektrisiteit aan die inwoners van Witbank, die implementering van Black Mountain se Sosiale plan, opgradering van strate, bekamping van MIV/VIGS en verwante siektes en die uitvoering van die afvalbetuursplan en groter deelname deur die publiek.

Namens die Raad bedank ek die gemeenskap vir hul bydrae in die bestuur van die plaaslike owerheid en die personeel vir hul harde werk, ywer en lojaliteit. Ek sien daarna uit om die volgende finansiële jaar harder te werk om die ontwikkelingsdoelwitte van die Munisipaliteit te bereik.

Deur saam te werk kan ons meer doen.

OVERVIEW BY ACTING MUNICIPAL MANAGER



Boet Baker

The financial year 2008/2009 ended up as a period which could be better than it was for Khâi- ma Municipality.

The closing of the Pella Service Point for a period of about five months and political unrest for Pofadder since December 2008 until April 2009 had a big affect on service delivery and development.

The head quarters, which close on 19 December 2008 for the festive season could only open on 14 January 2009 with the presence and assistance of the South African Police Service. Pella's office could be open in February 2009.

Council activities came to a halt due to deadlock in council. Public participation was not promoted during the year. The suspension of staff members, including the municipal manager caused skeleton staff and a lack of capacity. The absence of a technical manager also hampered planning, operation and maintenance in the department. Staff, in other departments was overloaded since they also had to execute functions which they are not appointed for.

During the said period the payment culture dropped and low income caused serious cash flow problems. It happens that creditors, such as ESCOM, Pelladrift Water Board could not be paid in thirty days time as prescribed.

The delay of infrastructure projects did not only affect service delivery, but delay job creation and poverty alleviation and sustainability.

- (i) No houses have been built during the financial year.
- (ii) No economic development took place.

These backlogs need to be addressed in the new financial year to the satisfaction of the citizens.

The light in the darkness, Khâi- ma Municipality is still functioning and are on its way to be a sustainable authority with assistance from provincial and national government.

Main objectives

- (i) Provision of sustainable services to the inhabitants and maintain existing resources;
- (ii) Develop Khâi- ma Municipality as institution through transformation and capacity building
- (iii) Promotion of local economic development through poverty alleviation, job creation, empowerment of the previous disadvantage people with capacity building in business skills and establishment of a climate for investment.
- (iv) Promote Sound financial management and Viability

Priorities

- (i) Services Delivery
- (ii) Institutional Development and Transformation
- (iii) Local Economic Development
- (iv) Financial management and Viability
- (v) Good Governance and Public Participation

1. SERVICE DELIVERY

1.1 Basic Services

Basic Services are rendered at all communities except at Aggeneys and Witbank. Witbank has only access to water. No other services are rendered yet.

Refuse removal at Onseepkans was not done properly.

Sanitation is a big challenge, since overtime was spent to remove sewerage from septic tanks at all communities. Two sewerage trucks were utilised to render the function.

The figures mentioned in the table below indicate the beneficiaries

(i) Access to service delivery

Community	Households %		
	Basic Service	Intermediate	Full Level
Pofadder	90%	0	See basic Service
Pella	80%	0	See basic Service
Onseepkans	80%	0	See basic Service
Witbank	40%	0	Nil
Aggeneys	Black Mountain as mining company provides all basic services to employees and their families.		

(ii) Provision of services and Losses

Services	Purchases	Sales	Losses	% losses
Water	780,217Kl	674,795Kl	105,422Kl	14%
Electricity	4,770,222Kwh	3,992,786Kwh	777,436Kwh	16,30%

1.2 Free Basic Services

Free Basic Services are rendered to all indigents in the municipal jurisdiction regulated by an indigent policy, which provided support for households with an monthly income less than the total sum of two state grants.

The indigents amount up to 77 percent of all consumers.

(i) Free Basic Water

The limit for free basic water is 6 kilolitres.

Community	Total
Pofadder	628
Pella	525
Onseepkans	337
Witbank	71
	1561

(ii) **Free Basic Electricity**

The limit for free basic electricity is equal to 50 kW.

Community	Total
Pofadder	599
Pella	425
Onseepkans	227
Witbank	Nil
Total	1251

No free basic energy is provided and the matter must be addressed.

(iii) **Backlogs on Basic Services:**

Water and Sanitation

Community	Water	Sanitation
Pofadder	50	50
Pella	40	45
Onseepkans	40	40
Witbank	10	10

Buckets

Community	Total
Pofadder	Nil
Pella	Nil
Onseepkans	Nil
Witbank	Nil

Electricity

Community	Backlog	Comments
Pofadder	50	The community of Witbank has still no access to electricity
Pella	45	
Onseepkans	35	
Witbank	77	
Total	207	

Refuse Removal

Community	Total	Comment
Pofadder	0	The community of Witbank has no access to refuse removal. No landfill sites have been developed. The municipality needs funds to address short-comings at sites of Pofadder, Pella and Onseepkans such as fences and permits.
Pella	0	
Onseepkans	0	
Witbank	77	
Total	77	

1.3 Infrastructure Services

(i) Water

- New consumers are connected to networks on .
- Pumps at Pofadder were upgraded for more effective delivery.
- Pofadder Bulk water (upgrading of the Pella- Pofadder Pipeline) is still outstanding due to challenges faced with the appointment of project manager. Several breaks at Pofadder network were restored.
- Feasibility studies of water provision were done by Kwezi V3 at all communities and application for funding to upgrade the systems was submitted to MIG.

Challenges

- ★ Commencement of Pofadder Bulk Water
- ★ Storage and alternative water resources:
- ★ Upgrading of Network at Pofadder;

(ii) Electricity

- The delay in the housing project cause delay in provision of electricity to the inhabitants of Pofadder, especially since it was provided by NERSA.

Challenges

- ★ Witbank still need access to electricity;
- ★ New connections for consumers at Pofadder, Pella and Onseepkans.

(iii) Sanitation

- Completed Pofadder 56 Porject
- Oxidations dams at Pella were fenced, while those at Pofadder need to be fenced;
- Landfill sites at Pofadder, Pella and Onseepkans are in bad conditions. Fences are removed and the environment near each sites is polluted. In the case of Pofadder waste is dumped at any place near the site.

Challenges

- ★ Land sites for Witbank;
- ★ Rehabilitation of landfill sites at Pofadder, Pella and Onseepkans
- ★ Fencing the sites;
- ★ Clean up of areas close to the sites
- ★ Upgrading of the sewerage system at Pofadder and Onseepkans

- (iv) Streets, Parks and Sportfacilities
- Streets at Blyvooruitsig, Pofadder, Pella, Onseepkans and Witbank consisted of gravel and cannot be maintained due a lack of funding;
 - The tarred streets at Pofadder were maintained but proper work cannot been done due to lack of funding. Potholes were filled up, but roads need to be resealed.

Challenges

- ★ Curbs for the existing tarred streets;
- ★ Existing tarred roads needs to be resealed.
- ★ Upgrading of Sport Facilities

- (v) Housing

No houses were built during the financial year notwithstanding an allocation of 384 houses (Pofadder- 100; Pella- 100 and Onseepkans 184). The project was delayed due to irregularities during the tender process.

Backlogs (as per IDP)

950 (all communities)

- (vi) Cemeteries

Cemeteries are mostly under the management of the churches within the communities except one at Pofadder, which is under the municipality's control.

- (vii) Commonage Management

The size of commonage land increased to an area equal to 145 350 hectares after the purchase of new land (5775,9337 hectares) for small farmers of Pofadder.

1. Stand 1152: pofadder south commonage = **5775.9337** h
2. Luttigshoop = **5274.6467** h
3. Koeries = **13 175.6634** h
4. Pofadder north commonage = **4188** h
5. Onseepkans commonage = **12092.7581** h
6. Witbank commonage = **4350.4697** h
7. Brabis = **7575.4931** h
8. Nombies = **5014.0513** h
9. Hoogoor = **13 496.3961** h
10. Dabenoris = **12 143.5667** h
11. Springputs = **4282.6500** h
12. Pella commonage = **48090.9821** h
13. Coboop 89 portion 7 = **12 697.5338** h
14. Coboop 89 portion 2 = **6133.1116** h
15. Eyties = **4990.2360** h

State land under supervision of municipality

1. Guadom 29 = **6443.6900** h
2. Houniams 28 = **5307.3200** h

Challenges

- ★ Management Plans for commonage

- ★ Establishment of Commonage committees
- ★ Pasture Agreements

1.4 Social Services

- (i) Health
Health committees did not function and need to be re- established. .
- HIV/ AIDS
This Municipality is committed to play a role in the campaign against HIV/ AIDS. However, Khâi- Ma AIDS Council is not active and need to be re-established. Hope for Life, a community based organisation is still functioning within the communities. VCT Councillors and clinics deliver services to the inhabitants.
- (ii) Moral Regeneration
Moral Regeneration is a big challenge for this municipality.
- (iii) Library Services
Library services are rendered to the communities of Pofadder, Pella and Aggeneys.

A mobile service was established at Onseepkans.
The upgrading of Blyvooruitsig Library started.
- (iv) Sport and Recreation

A community hall at Viljoensdraai, Onseepkans were erected by Karsten Boerdery;-
 - ★ Sportforums needs to be established;
 - ★ Sport facilities needs to be upgraded;
 - ★ Community halls for the other township at Onseepkans, Melkbosrand and Sending and as well as Witbank are needs; and
- (v) Crime Prevention
Council supported crime prevention and ward councillors represent the council on the community Police Forums in all communities.

Challenge
 - ★ Crime prevention plan
- (vi) Education
Parents and pupils are assisted financially through the discretionary Mayor's expenditure vote.

2. INSTITUTIONAL DEVELOPMENT AND TRANSFORMATION

2.1 Integrated Development Planning

The final document for the 2008/2009 financial year was approved at a special meeting on 30 June 2008.

An SDBIP was not adopted by council.

2.2 Performance Management

Khâ- Ma Municipality did not develop a performance management system for the financial year. Therefore, no performance contracts could be signed. This area needs intensive attention. A consultant, Zingco Management was appointed to develop a performance management system but the system was not completed at the end of year.

2.3 Human Resource Management

(i) Compilation of Council

Name of Councillor	Political Party	Gender		Position	Ward / PR
		M	F		
Lakus Henry Van Rooi	ANC	x		Mayor	Ward
Marcellinus Gall	ANC	x		Councilor	Ward
Johannes Jacobus Swartbooi	ANC	x		Councilor	PR
Magdalena. Bruintjies	ANC		x	Councilor	PR
Desiree Ann Swartbooi	ANC		x	Councilor	Ward
Frans Xavier James Van Rooyen	DA	x		Councilor	Ward
Sylvia Sophia Brandt	ID		x	Councilor	PR

Clr Lakus Van Rooi was recall as mayor on 04 December 2009 and replace by Clr. Lindie Bruintjies- Groenewald.

Councillor M.Gall was recalled as representative to Namakwa District Municipality and the position remained vacant until September 2009.

Two (2) vacancies occurred after the expulsion Clr Marcillunus Gall and Clr Lakus Van Rooi by the African National Congress, in February and May 2009 respectively.

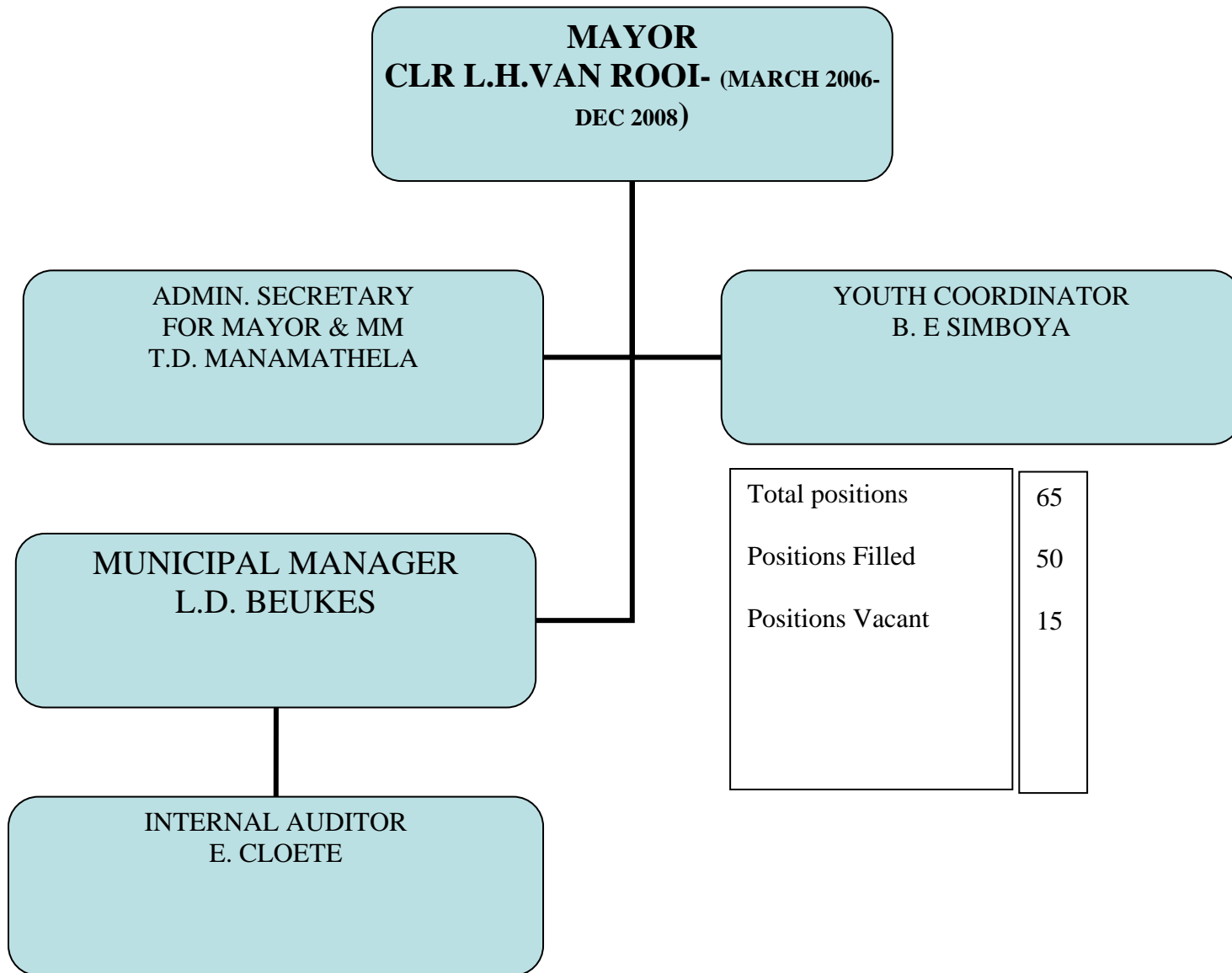
Clr. Gall's position was filled, during a by- election, which took place in June 2009 and Clr. Pasqueline Van Heerden was elected as the new councillor.

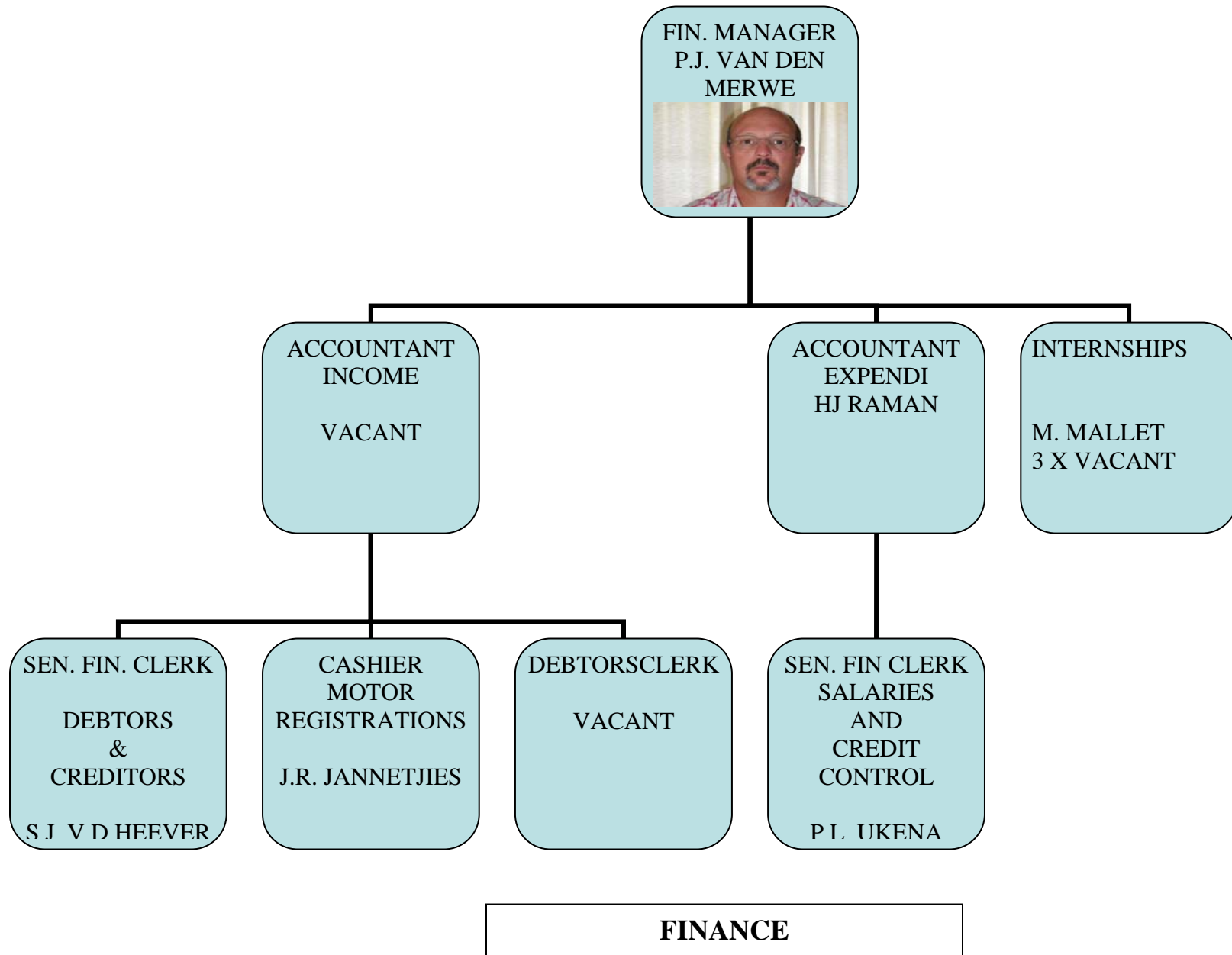
(ii) Political Representative on the council at the end of the financial year:

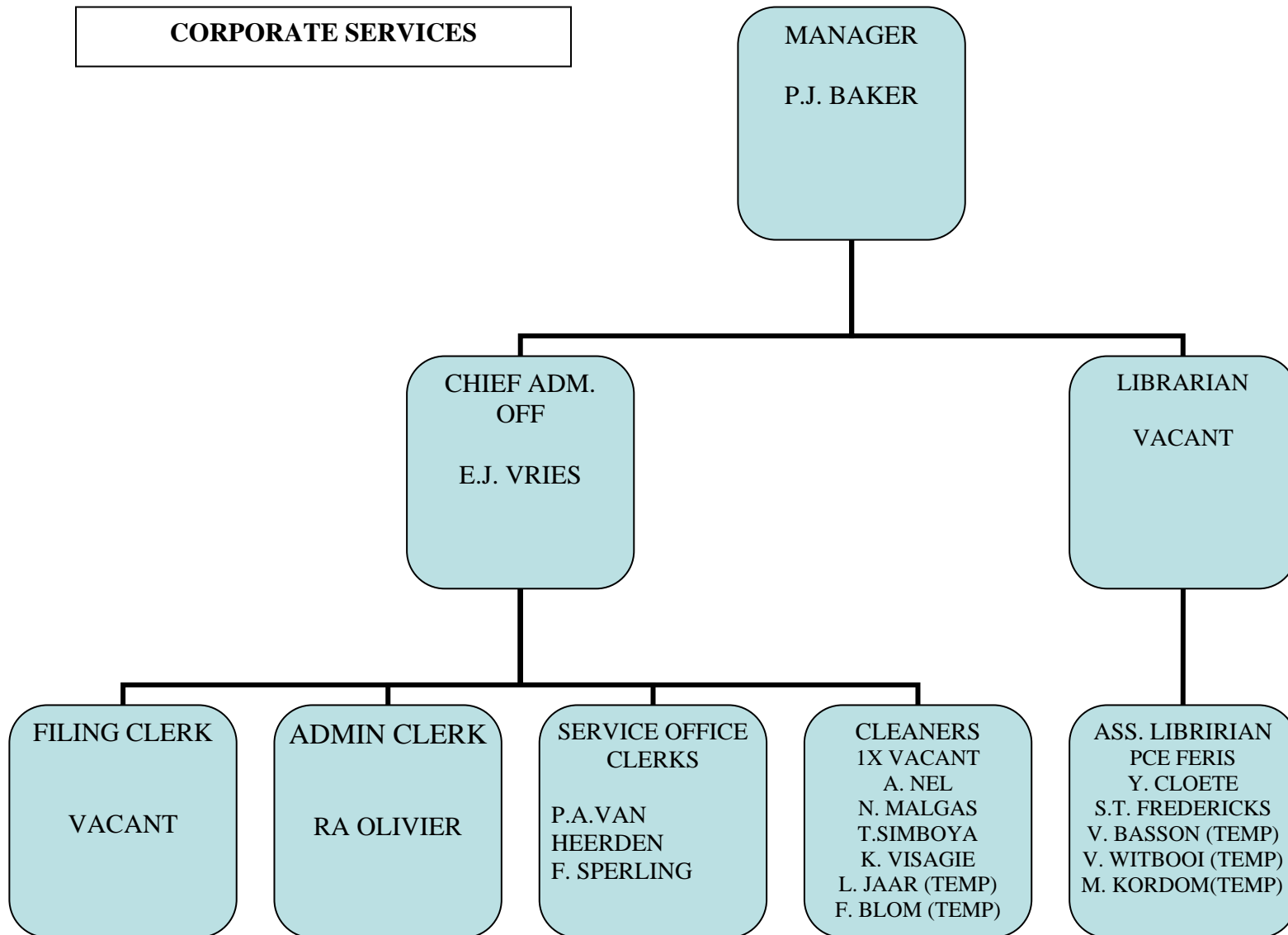
African National Congress	4
Democratic Alliance	1
Independant Democrates	1
Vacancy	1
Total Councillors	7

(iii) Staff Component

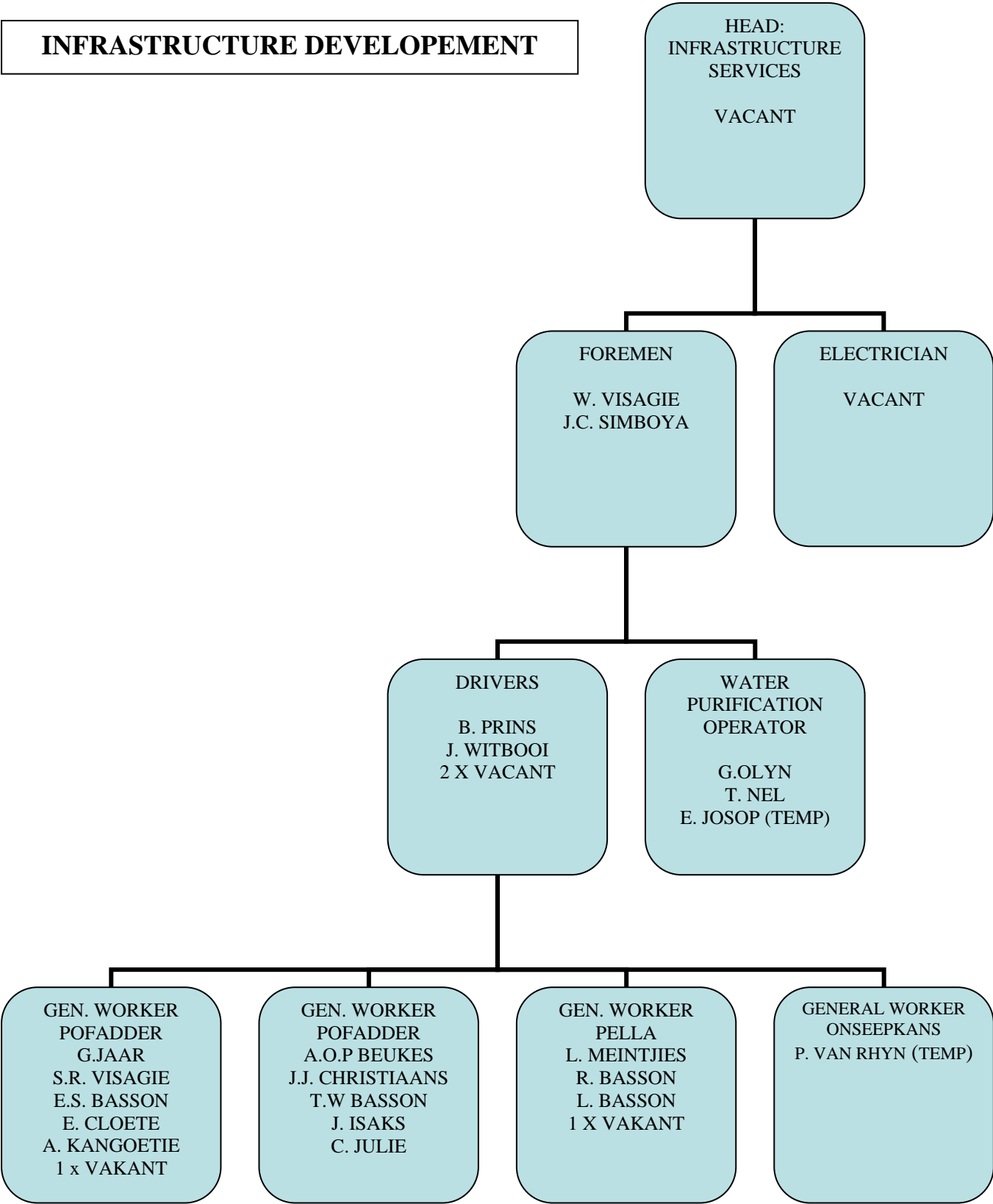
- Organogram
See page 13- 17

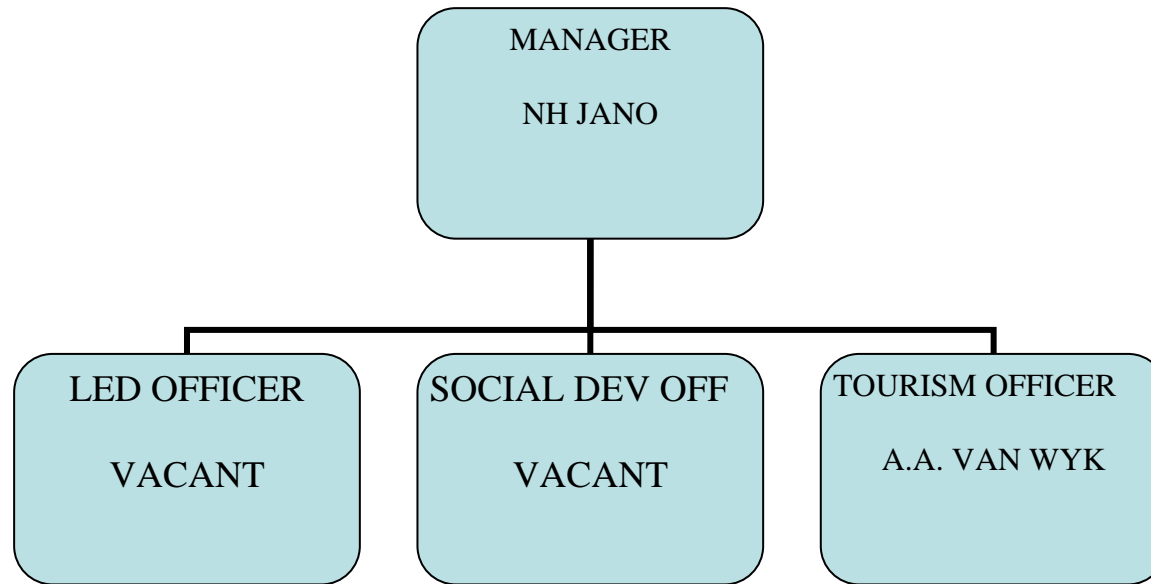






INFRASTRUCTURE DEVELOPEMENT





EKONOMIC DEVELOPMENT

- Job Evaluations
The job evaluation process is not yet completed. Job descriptions were completed and submitted for assessment by an evaluation committee. The job evaluations are outstanding for more than five years and hampers proper remuneration of staff.

- Appointments

Three Financial interns were appointed with effect from 01 May 2009:

Edmund Julie Julian Frederick Alexander Visagie

Cleaner

Karin Cloete .

Librarian Assistants (Temporary)

C.J. Louw

V. Witbooi

F.A. Blom

L. Jaar

Youth Coordinator (Temporary)

B.E. Simboya

Internal auditor:

E. Cloete

- Vacancies

Internal auditor	:	1
Infrastructure Manager	:	1
Electrician	:	1
Accountants	:	1
Admin Clerk	:	2
General assistants	:	3

- Terminations

Mr. Dominikus Basson (financial clerk) - Resignation

Miss Philida Cloete (Financial Clerk) - Resignation

Miss Felicity Blom (Cleaner) – Dismissal

Miss. Katrina Visagie (Cleaner) – Contract expired

Miss Veronica Witbooi (Library Assistant) - Contract expired

Mr. Edward Cloete (Internal Auditor)- Resignation

- Retirement

Mr. Gert Jaar (general worker) at the age of

- Employment Equity

See report Oktober 2008 (page 23- 45)

(iv) Skills Development

A workplace skillsplan has been completed in consultation with the workers union, SAMWU and submitted to LGSETA. Councillors and staff had received training as follow:

COURSE	COUNCILLOR/	OFFICIAL
CMPD (Fin. Bestuur)		Mnr. HR Raman Edward Cloete
Toerisme Opleiding		Mnr. N.H. Jano Me. A.A. Van Wyk

3. LOCAL ECONOMIC DEVELOPMENT

This area was totally neglected. An LED strategy does not exist.

No LED projects were established during this year. No new investments took place in the year.

Permanently job created: None

Temporary Jobs: unknown. No record was kept

Job losses: Unknown

The social and labour plans of Black Mountain and Lafarge Gypsum did not function.

Challenges

- ★ Development of LED strategy
- ★ Development of Tourism Plan
- ★ Job creation and Poverty Alleviation

4. FINANCIAL MANAGEMENT AND VIABILITY

See financial statements from page 46- 105

Challenges

- ★ Financial Recovery Plan (Improvement of cash flow)
- ★ Capacity Building
- ★ Extension of systems to service offices

5 GOOD GOVERNANCE AND PUBIC PARTICIPATION

- Provincial Cabinet Meets the People

- Open Council Meetings

Council meetings were not held on a regular basis due the political situation in the municipality's jurisdiction. The only ordinary meeting was held in June 2009.

Seven (7) special meeting were held during the year.

The public did not attend such meetings. However, the minutes are available for inhabitants to read it and get an idea which issues council had dealt with.

- Written and electronic correspondence

The Municipality communicate in writing and electronically with applicants, members of the public who complaint and enquired about relative matters.

- Telephonic enquires

The Municipality avails incoming telephone lines, fax facilities and e- mail facilities. No record is of telephonic enquires was kept.

- Personal Enquires
Inhabitants could visit the seat at Pofadder and service offices at Pella en Onseepkans, which are daily open from Monday until Friday, between 07h30 and 16h30. The inhabitants of Witbank have access to services through the Community development workers (CDW's). Books for suggestions and complaints were kept at all offices.
- Ward meetings
Ward meetings were neglected. No record of ward meetings held during the year could be traced.
- Council meets the people
Council did not run this program due to political conflict.
- Ward Commitees
Ward Committees did not function. New committees need to be elected.
- Intergovernmental Relations

Council attended intergovernmental Relation Forum on Provincial and District Level.
- National Imbizos

ANNEXURES



PLEASE READ THIS FIRST

PURPOSE OF THIS FORM

This form enables employers to comply with Section 21 of the Employment Equity Act 55 of 1998.

This form contains the format for employment equity reporting by employers to the Department of Labour. Both small employers (i.e. employers employing fewer than 150 employees) and large employers (i.e. employers employing 150 or more employees) are required to use this form. Those employers who are not designated, but wish to voluntarily comply, must also use this reporting form.

Although all sections of this form apply to large employers, only certain sections of this form should be completed by small employers. Employers who report for the first time are not required to complete the progress report section of this form.

WHO SHOULD COMPLETE THIS FORM?

All designated employers that have to submit a report in terms of the Employment Equity Act, 55 of 1998. Employers who wish to voluntarily comply with the reporting requirements of the Act are also required to complete this form.

WHEN SHOULD EMPLOYERS REPORT?

- Large employers must submit their first report within six months of being designated, and thereafter annually on the first working day of October; and
- Small employers must submit their first report within twelve months of being designated, and thereafter on the first working day of October of every year that ends with an even number.

ESSENTIAL REQUIREMENTS

Large employers, i.e. employers with 150 and more employees, must complete the entire EEA2 reporting form. Small employers, i.e. employers with fewer than 150 employees, must only complete areas of the EEA2 form that apply to them. Large employers, i.e. employers with 150 and more employees, must complete the entire EEA2 reporting form. Small employers, i.e. employers with fewer than 150 employees, must only complete areas of the EEA2 form that apply to them. All relevant areas of the form must be fully and accurately completed by employers. **Designated employers who fail to observe this provision will be deemed not to have reported.** Guidance to overcome difficulties on how to complete the form properly must be obtained from the Department prior to completing and submitting the report.

SEND TO:

Employment Equity Registry
The Department of Labour
Private Bag X117
Pretoria 0001
Telephone: 012 3094000
Facsimile: 012 3094737 / 3094188
e-mail: ee@labour.gov.za

SECTION A: EMPLOYER DETAILS

Trade name	Khai- Ma Municipality
DTI registration name	
DTI registration number	
PAYE/SARS number	7840705117
UIF reference number	097181/ 3
EE reference number	7840705117
Industry/Sector	Local Government
Seta classification	LGSETA
Telephone number	054- 933 0066
Fax number	054- 933 0252
Email address	boet@khaima.gov.za
Postal address	P.O. Box 108
	POFADDER
Postal code	8890
City/Town	POFADDER
Province	Northern Cape
	Nuwe Street
	POFADDER
Postal code	8890
City/Town	POFADDER
Province	Northern Cape

Details of CEO at the time of submitting this report

Name and surname	L.D. BEUKES
Telephone number	054- 933 0066
Fax number	054- 933 0252
Email address	Lesley@khaima.gov.za

Details of Senior Manager for Employment Equity at the time of submitting this report

Name and Surname	P.J. Baker
Telephone number	054- 933 0066
Fax number	054- 933 0252
Email address	054- 933 0252

Business type

- | | |
|--|--|
| <input type="checkbox"/> Private Sector | <input type="checkbox"/> Parastatal |
| <input type="checkbox"/> National Government | <input type="checkbox"/> Provincial Government |
| <input checked="" type="checkbox"/> Local Government | <input type="checkbox"/> Educational Institution |
| <input type="checkbox"/> Non-profit Organization | |

Information about the organization at the time of submitting this report

Number of employees in the organization
☒ 0 to 49
☐ 50 to 149
☐ 150 or more

In terms of Section 14 of the Act, are you voluntary complying?
☐ Yes ☒ No

Is your organization an organ of State?
☐ Yes ☒ No

Date of submitting this report **Oktober 2008**

Please indicate the preceding twelve-month period (in the case of large employers) or twenty-four month period (in the case of small employers) covered by this report, except for first time reporting where this may not be possible:

From (date):

01 Oktober 2006
30 September 2008

To (date):

Please indicate below the duration of your current employment equity plan:

From (date):

01 Oktober 2005
30 September 2006

To (date):

Please read this first

- a. The preceding twelve-month period (in the case of large employers) or twenty-four month period (in the case of small employers) covered by employment equity employer reports must be the same for every reporting period.
- b. A summary providing guidelines on occupational categories and levels is provided in annexure 3 and annexure 4 of the regulations. Employers must complete the EEA2 form and the EEA4 form in accordance with Annexure 3 and Annexure 4.
- c. Non-permanent workers refer to those workers who are employed to work for less than 24 hours per month, or those workers engaged to work for not more than 3 continuous months.
- d. In Section B, the subtotals in terms of race and gender in the row dealing with **total permanent** employees in the table on occupational categories for **all employees**, which includes people with disabilities, must be exactly the same as the subtotals in the table on occupational levels for **all employees**. The same must apply to the subtotals in the **grand total** rows for occupational categories and levels as well.
- e. In Section B, the subtotals in terms of race and gender in the row dealing with **total permanent** employees in the table on occupational categories for **people with disabilities** must be exactly the same as the subtotals in the table on occupational levels for **people with disabilities**. The same must apply to the subtotals in the **grand total** rows for occupational categories and levels as well.
- f. Employers, from the second cycle of reporting onwards, must complete Section G that deals with progress reports.
- g. Employers must complete Section H that deals with **numerical goals** and **numerical targets**. **Numerical goals** are the workforce profile the employer is striving to achieve in the workplace at the end of the duration of the employer's current employment equity plan. The numerical goals of the employer must be the same for the entire duration of the employment equity plan. **Numerical targets** are the workforce profile the employer is striving to achieve at the end of the period following the period covered by the current report of the employer.
- h. Large employers, i.e. employers with 150 and more employees, must complete the entire EEA2 reporting form. Small employers, i.e. employers with fewer than 150 employees, must only complete areas of the EEA2 form that apply to them. Areas that only apply to small employers shall be made available by the Department in a separate form as well. All relevant areas of the form must be fully and accurately completed by employers.
- i. The alphabets "A", "C", "I" and "W" used in the tables have the following corresponding meanings and must be interpreted as "Africans", "Coloureds", "Indians" and "Whites" respectively.
- j. **"Designated groups"** means Black people (i.e. Africans, Coloureds and Indians), women and people with disabilities who are natural persons and are citizens of the Republic of South Africa by birth or descent; or are citizens of the Republic of South Africa by naturalization before the commencement date (i.e. 27 April 1994) of the Constitution of the Republic of South Africa Act of 1993; or became citizens of the Republic of South Africa from the commencement date of the Constitution of the Republic of South Africa Act of 1993, but who, not for Apartheid policy that had been in place prior to that date, would have been entitled to acquire citizenship by naturalization prior to that date.
- k. All population groupings who are not part of the Black group, but in substance fall within the definition described in paragraph (j) in terms of citizenship or descent, must be counted and included in the column of each table in the form that require data on the White group.
- l. Foreign nationals and South African citizens that fall outside the definition described in paragraphs (j) or (k) must be counted and included in the column of each table in the form that require data on foreign nationals.

Section B: Workforce Profile

1. Occupational Categories

- 1.1 Please report the total number of **employees** (including employees with disabilities) in each of the following **occupational categories**: Note: A=Africans, C=Coloureds, I=Indians and W=Whites

Occupational Categories	Male			Female				White Male	Foreign Nationals		
	A	C	I	A	C	I	W	W	Male	Female	
Legislators, senior officials and managers		5						1			6
Professionals		2									2
Technicians and associate professionals											
Clerks	1	2			9		2				14
Service and sales workers											
Skilled agricultural and fishery workers											
Craft and related trades workers											
Plant and machine operators and assemblers		7									7
Elementary occupations		14			7						21
<i>TOTAL PERMANENT</i>	1	30			16		2	1			50
Non – permanent employees		6			7						13
GRAND TOTAL	1	36			23		2	1	0	0	63

- 1.2 Please report the total number of **employees with disabilities only** in each of the following occupational categories: Note: A=Africans, C=Coloureds, I=Indians and W=Whites

Occupational Categories	Male				Female				Foreign Nationals		Total
	A	C	I	W	A	C	I	W	Male	Female	
Legislators, senior officials and managers											
Professionals											
Technicians and associate professionals											
Clerks											
Service and sales workers											
Skilled agricultural and fishery workers											
Craft and related trades workers											
Plant and machine operators and assemblers											
Elementary occupations											
<i>TOTAL PERMANENT</i>											
Non – permanent employees											
GRAND TOTAL	0	0	0	0	0	0	0	0	0	0	0

2. Occupational levels

2.1 Please report the total number of **employees** (including employees with disabilities) in each of the following **occupational levels**: Note: A=Africans, C=Coloureds, I=Indians and W=Whites

Occupational Levels											TOTAL
	Male			Female				White Male	Foreign Nationals		
	A	C	I	A	C	I	W	W	Male	Female	
Top management		1									1
Senior management		4						1			5
Professionally qualified and experienced specialists and mid-management		2									2
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents		2									2
Semi-skilled and discretionary decision making	1	2			9		2				14
Unskilled and defined decision making		19			7						26
TOTAL PERMANENT	1	30			16		2	1			50
Non – permanent employees		6			7						13
GRAND TOTAL	1	36			23		2	1			63

2.2 Please report the total number of **employees with disabilities only** in each of the following occupational levels: Note: A=Africans, C=Coloureds, I=Indians and W=Whites

Occupational Levels										TOTAL
	Male				Female				Foreign Nationals	
	A	C	I	W	A	C	I	W	Male	Female
Top management										
Senior management										
Professionally qualified and experienced specialists and mid-management										
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents										
Semi-skilled and discretionary decision making										
Unskilled and defined decision making										
<i>TOTAL PERMANENT</i>	0	0	0	0	0	0	0	0	0	0
Non – permanent employees										
GRAND TOTAL	0	0	0	0	0	0	0	0	0	0

2.3 Core operation functions and Support functions by occupational level

Job evaluation or grading systems, as illustrated in the EEA9, are used to measure a job in terms of content in order to establish its worth or value in relation to other jobs in an organization. The worth or value of a job is represented on a vertical axis as an occupational level. A job could either be a **Core operation** function or a **Support** function. **Core Operation Function** positions are those that directly relate to the core business of an organization and may lead to revenue generation, e.g. sales, production, etc. Whereas **Support Functions** positions provide infrastructure and other enabling conditions for revenue generation, e.g. human resources, corporate services, etc. Please indicate on table 2.3.1 the number of employees that are in **Core Operation Function** positions and in table 2.3.2 the number of employees that are in **Support Function** positions at each occupational level.

2.3.1 Please indicate the total number of employees (including people with disabilities), that are involved in **Core Operation Function** positions at each level in your organization. Note: A=Africans, C=Coloureds, I=Indians and W=Whites

positions at each level in your organization. Note: A-Africanis, C-Coloureds, I-Indians and W-Whites

Occupational Levels											TOTAL
	Male				Female				Foreign Nationals		
	A	C	I	W	A	C	I	W	Male	Female	
Top management		1									1
Senior management		1		1							2
Professionally qualified and experienced specialists and mid-management		1									1
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents											1
Semi-skilled and discretionary decision making		1				2		2			4
Unskilled and defined decision making											
TOTAL PERMANENT		4		1		2		2			9
Non – permanent employees		0						0			0
GRAND TOTAL		4		1		2		2			9

2.3.2 Please indicate the total number of employees (including people with disabilities), that are involved in **Support Function** positions at each level in your organization. Note: A=Africans, C=Coloureds, I=Indians and W=Whites

positions at each level in your organization. Note: A-Africanis, C-Coloureds, I-Indians and W-Whites

Occupational Levels											TOTAL
	Male				Female				Foreign Nationals		
	A	C	I	W	A	C	I	W	Male	Female	
Top management											
Senior management		3									3
Professionally qualified and experienced specialists and mid-management		1									1
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents		2									2
Semi-skilled and discretionary decision making	1	1				7					9
Unskilled and defined decision making		19				7					26
TOTAL PERMANENT	1	26				14					41
Non – permanent employees		6				7					13
GRAND TOTAL	1	32				21					54

Section C: Workforce movement

3. Recruitment

3.1 Please report the total number of new recruits, including people with disabilities. Note: A=Africans, C=Coloureds, I=Indians and W=Whites

Occupational Levels											TOTAL
	Male			Female				White Male	Foreign Nationals		
	A	C	I	A	C	I	W	W	Male	Female	
Top management											
Senior management		1									1
Professionally qualified and experienced specialists and mid-management		2									2
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents											e
Semi-skilled and discretionary decision making	1				1						2
Unskilled and defined decision making		2			2						4
TOTAL PERMANENT		5			3						9
Non – permanent employees		6			7						13
GRAND TOTAL	1	11	0	0	10	0	0	0	0	0	22

3.2 Please report the total number of new recruits with disabilities only in each of the following occupational levels: Note: A=Africans, C=Coloureds, I=Indians and W=Whites

Occupational Levels	Male				Female				Foreign Nationals		Total
	A	C	I	W	A	C	I	W	Male	Female	
Top management											
Senior management											
Professionally qualified and experienced specialists and mid-management											
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents											
Semi-skilled and discretionary decision making											
Unskilled and defined decision making											
TOTAL PERMANENT											
Non – permanent employees											
GRAND TOTAL	0	0	0	0	0	0	0	0	0	0	0

4. **Promotion**
- 4.1 Please report the total number of promotions into each occupational level, including people with disabilities. Note: A=Africans, C=Coloureds, I=Indians and W=Whites

Occupational Levels											TOTAL
	Male			Female				White Male	Foreign Nationals		
	A	C	I	A	C	I	W	W	Male	Female	
Top management											
Senior management											
Professionally qualified and experienced specialists and mid-management											
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents											
Semi-skilled and discretionary decision making											
Unskilled and defined decision making											
TOTAL PERMANENT											
Non – permanent employees											
GRAND TOTAL	0	0	0	0	0	0	0	0	0	0	0

- 4.2 Please report the total number of promotions involving **people with disabilities only** in each occupational level. Note: A=Africans, C=Coloureds, I=Indians and W=Whites

Occupational Levels	Male				Female				Foreign Nationals		Total
	A	C	I	W	A	C	I	W	Male	Female	
Top management											
Senior management											
Professionally qualified and experienced specialists and mid-management											
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents											
Semi-skilled and discretionary decision making											
Unskilled and defined decision making											
TOTAL PERMANENT											
Non – permanent employees											
GRAND TOTAL	0	0	0	0	0	0	0	0	0	0	0

5 Termination

5.1 Please report the total number of terminations in each occupational level, including people with disabilities. Note: A=Africans, C=Coloureds, I=Indians and W=Whites

Occupational Levels											TOTAL
	Male			Female				White Male	Foreign Nationals		
	A	C	I	A	C	I	W	W	Male	Female	
Top management											
Senior management		1									1
Professionally qualified and experienced specialists and mid-management		1									1
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents											
Semi-skilled and discretionary decision making		1					1				2
Unskilled and defined decision making		3			1						3
TOTAL PERMANENT		6			1		1				8
Non – permanent employees											
GRAND TOTAL		6			1		1				8

5.2 Please report the total number of terminations involving **people with disabilities only** in each occupational level. Note: A=Africans, C=Coloureds, I=Indians and W=Whites

Occupational Levels											TOTAL
	Male				Female				Foreign Nationals		
	A	C	I	W	A	C	I	W	Male	Female	
Top management											
Senior management											
Professionally qualified and experienced specialists and mid-management											
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents											
Semi-skilled and discretionary decision making											
Unskilled and defined decision making											
TOTAL PERMANENT											
Non – permanent employees											
GRAND TOTAL	0	0	0	0	0	0	0	0	0	0	0

5.3 Please report the total number of terminations in each **termination category** below. Note: A=Africans, C=Coloureds, I=Indians and W=Whites

Terminations											TOTAL
	Male			Female				White Male	Foreign Nationals		
	A	C	I	A	C	I	W	W	Male	Female	
Resignation		2									2
Non-renewal of contract		1									1
Dismissal – Operational requirements (retrenchment)											
Dismissal - misconduct											
Dismissal - incapacity											
Other		3			1		1				5
TOTAL		6			1		1				8

5.4 Please report the total number of terminations involving **people with disabilities only** in each **termination category** below. Note: A=Africans, C=Coloureds, I=Indians and W=Whites

Termination category below: Note: A-Africans, C-Coloureds, I-Indians and W-Whites											
Terminations											TOTAL
	Male				Female				Foreign Nationals		
	A	C	I	W	A	C	I	W	Male	Female	
Resignation											
Non-renewal of contract											
Dismissal – Operational requirements (retrenchment)											
Dismissal - misconduct											
Dismissal - incapacity											
Other											
TOTAL	0	0	0	0	0	0	0	0	0	0	0

Section D: Disciplinary Action (This section is *not applicable to small employers*)

6 **Disciplinary action:** (report the total number of disciplinary actions during the twelve months preceding this report).
Report on formal outcomes only. Note: A=Africans, C=Coloureds, I=Indians and W=Whites

Disciplinary Action											TOTAL
	Male			Female				White Male	Foreign Nationals		
	A	C	I	A	C	I	W	W	Male	Female	
					2						

Section E: Skills Development (This section is *not applicable to small employers*)

7 Training

7.1 Please report the total number of people who received training, including for people with disabilities, and not the number of training courses attended, in each occupational category.

Occupational Categories	Male			Female				White Male	Foreign Nationals		TOTAL
	A	C	I	A	C	I	W	W	Male	Female	
Legislators, senior officials and managers		2									2
Professionals											
Technicians and associate professionals		2									
Clerks					2						6
Service and sales workers											
Skilled agricultural and fishery workers											
Craft and related trades workers											
Plant and machine operators and assemblers											
Elementary occupations		2									
<i>TOTAL PERMANENT</i>		6			2						8
Non – permanent employees											
GRAND TOTAL		6			2						8

7.2 Please report the total number of **people with disabilities only**, and not the number of training courses attended, who received training in each occupational category.

Occupational Categories	Male				Female				Foreign Nationals		TOTAL
	A	C	I	W	A	C	I	W	Male	Female	
Legislators, senior officials and managers											
Professionals											
Technicians and associate professionals											
Clerks											
Service and sales workers											
Skilled agricultural and fishery workers											
Craft and related trades workers											
Plant and machine operators and assemblers											
Elementary occupations											
<i>TOTAL PERMANENT</i>											
Non – permanent employees											
GRAND TOTAL	0	0	0	0	0	0	0	0	0	0	0

7.3 Please report the total number of people, including for people with disabilities, and not number of training courses attended, who received training in each occupational level.

Occupational Levels											TOTAL
	Male			Female				White Male	Foreign Nationals		
	A	C	I	A	C	I	W	W	Male	Female	
Top management		1									1
Senior management		1									1
Professionally qualified and experienced specialists and mid-management		2									
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents		1									1
Semi-skilled and discretionary decision making					2						2
Unskilled and defined decision making		1									1
TOTAL PERMANENT		6			2						8
Non – permanent employees											
GRAND TOTAL		6			2						8

7.4 Please report the total number of **people with disabilities only**, and not the number of training courses attended, who received training in each occupational level.

Occupational Levels											TOTAL
	Male				Female				Foreign Nationals		
	A	C	I	W	A	C	I	W	Male	Female	
Top management											
Senior management											
Professionally qualified and experienced specialists and mid-management											
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents											
Semi-skilled and discretionary decision making											
Unskilled and defined decision making											
TOTAL PERMANENT											
Non – permanent employees											
GRAND TOTAL	0	0	0	0	0	0	0	0	0	0	0

Section F: Qualitative Assessment (This section is *not applicable* to small employers)

8 Awareness of Employment Equity

8.1 Please indicate which of the following awareness measures were implemented by your organization:

	No. of employees covered	Yes	No	Please explain
Formal written communication				
Policy statement includes reference to employment equity				
Summary of the Act displayed				
Employment Equity training				
Diversity management programmes				
Discrimination awareness programmes				
Other (please specify):				
Total				

9 Consultation

9.1 Please indicate which stakeholders were involved in the consultation process prior to the development of your employment equity plan and in preparing this Employment Equity Report:

	Yes	No	Please explain
Workplace forum (in terms of the LRA)			
Consultative body or employment equity forum			
Registered trade union (s)			
Employees			
Other (Please specify):			

9.2 What was the level of agreement reached in the formulation of the plan? Please choose one.

Total	Sufficient	Some	None

9.3 How regularly do you meet with the stakeholders mentioned in 9.1? Please choose one.

Weekly	Monthly	Quarterly	Yearly	Other

10 Analysis

10.1 Please indicate in which categories of employment policy or practices barriers to employment equity were identified:

Categories	Yes	No	Please explain
Recruitment procedures			
Advertising positions			Women and Disabled are especially invited to apply on advertisements
Selection criteria			
Appointments			
Job classification and grading			
Remuneration and benefits			
Terms and conditions of employment			
Job assignments			
Work environment and facilities			
Training and development			
Performance and evaluation systems			
Promotions			
Transfers			
Demotions			
Succession and experience planning			
Disciplinary measures			
Dismissals			
Corporate culture			
HIV and AIDS education and prevention programmes			
Other (please specify):			

11 Affirmative Action measures

11.1 Please indicate in which categories **affirmative action measures** have been implemented:

Categories	Yes	No	Please explain
Recruitment procedures			
Advertising positions			It is stated on advertisement of positions that the organization is a affirmative action employer.
Selection criteria			
Appointments			
Job classification and grading			
Remuneration and benefits			
Terms and conditions of employment			
Job assignments			
Work environment and facilities			
Training and development			
Performance and evaluation systems			
Setting numerical goals			
Promotions			
Transfers			
Demotions			
Succession and experience planning			
Disciplinary measures			
Diversity programme and sensitization			
Community investment and bridging programme			
Retention measures			
Reasonable accommodation			
Other (please specify):			

12 Resources

12.1 Please indicate what resources have been allocated to the implementation of employment equity during the past year:

Allocation of Resources	Yes	No	Please explain
Appointed a senior manager/s to manage the implementation and monitoring progress			
Allocated a budget to support the implementation goals of employment equity			
Time off for employment equity consultative committee (or equivalent) to meet on a regular basis			
Other (Please specify)			

13 Monitoring and evaluation of implementation:

13.1 How regularly do you monitor progress on the implementation of the employment equity plan? Please choose one.

Weekly	Monthly	Quarterly	Yearly	Other

Section G: Progress Report

(Section G to be completed from the second cycle of reporting onwards)

14 Reporting period: From 01 OKTOBER 2006 to 30 SEPTEMBER 2008

14.1 Did you achieve the numerical targets as set out in your employment equity plan for this period?

Yes	No
	X

14.2 Did you achieve the affirmative action objectives as set out in your employment equity plan for this period?

Yes	No
	X

14.3 If not, what were the obstacles you experienced:

What were the obstacles to reaching the employment equity goals and objectives during the past year?
No appointments especially in the higher ranks have been made.

14.4 If yes, what factors promoted the accomplishment of your goals and objectives:

What were the factors that contributed to the accomplishment of the employment equity goals and objectives during the past year?

14.5 Please indicate the numerical goals you have set to achieve for the total number of employees (including people with disabilities) at the end of your current employment equity plan in terms of occupational categories. Note: A=Africans, C=Coloureds, I=Indians and W=Whites:

Occupational Categories	Male			Female				White Male	Foreign Nationals		TOTAL
	A	C	I	A	C	I	W	W	Male	Female	
Legislators, senior officials and managers		4			3			1			8
Professionals		1			1						2
Technicians and associate professionals											
Clerks	1	5	0	1	5	0	1	1			14
Service and sales workers											
Skilled agricultural and fishery workers											
Craft and related trades workers											
Plant and machine operators and assemblers		2			2						4
Elementary occupations	2	8	0	1	9	0	1	1			22
<i>TOTAL PERMANENT</i>	3	20	0	2	21	0	2	2			50
Non – permanent employees		2									2
GRAND TOTAL	3	22	0	2	21	0	2	2			52

14.6 Please indicate the numerical goals you have set to achieve for the total number of **employees with disabilities only** at the end of your current employment equity plan in terms of occupational categories. Note: A=Africans, C=Coloureds, I=Indians and W=Whites :

Occupational Categories	Male				Female				Foreign Nationals		TOTAL
	A	C	I	W	A	C	I	W	Male	Female	
Legislators, senior officials and managers											
Professionals											
Technicians and associate professionals											
Clerks											
Service and sales workers											
Skilled agricultural and fishery workers											
Craft and related trades workers											
Plant and machine operators and assemblers											
Elementary occupations											
<i>TOTAL PERMANENT</i>											1
Non – permanent employees											
GRAND TOTAL											1

14.7 Please indicate the numerical goals you have set to achieve for the total number of employees (including people with disabilities) at the end of your current employment equity plan in terms of occupational levels. Note: A=Africans, C=Coloureds, I=Indians and W=Whites:

Occupational Levels											TOTAL
	Male			Female				White Male	Foreign Nationals		
	A	C	I	A	C	I	W	W	Male	Female	
Top management		1									1
Senior management		2			2			1			5
Professionally qualified and experienced specialists and mid-management		2			2						4
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents											
Semi-skilled and discretionary decision making	1	8		1	9		1	1			21
Unskilled and defined decision making	2	7		1	7		1	1			19
TOTAL PERMANENT	3	20		2	21		2	2			50
Non – permanent employees		2									2
GRAND TOTAL	3	22		2	21		2	2			52

14.8 Please indicate the numerical goals you have set to achieve for the total number of **employees with disabilities only** at the end of your current employment equity plan in terms of occupational levels:

Occupational Levels										TOTAL
	Male				Female				Foreign Nationals	
	A	C	I	W	A	C	I	W	Male	Female
Top management										
Senior management										
Professionally qualified and experienced specialists and mid-management										
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents										
Semi-skilled and discretionary decision making										
Unskilled and defined decision making										
<i>TOTAL PERMANENT</i>										1
Non – permanent employees										
GRAND TOTAL										1

14.9 Please indicate the numerical targets you have set to achieve for the total number of employees (including people with disabilities) for the end of the period following the period covered by the current report in terms of occupational categories.

Occupational Categories											TOTAL
	Male			Female				White Male	Foreign Nationals		
	A	C	I	A	C	I	W	W	Male	Female	
Legislators, senior officials and managers		4			3			1			8
Professionals		1			1						2
Technicians and associate professionals											
Clerks	1	1			10		1				13
Service and sales workers											
Skilled agricultural and fishery workers											
Craft and related trades workers											
Plant and machine operators and assemblers		7									7
Elementary occupations		12			8						20
TOTAL PERMANENT	1	25			22		1	1			50
Non – permanent employees		2									2
GRAND TOTAL	1	27			22		1	1			52

14.10 Please indicate the numerical targets you have set to achieve for the total number of **employees with disabilities only** for the end of the period following the period covered by the current report in terms of occupational categories. Note: A=Africans, C=Coloureds, I=Indians and W=Whites

Occupational Categories											TOTAL
	Male				Female				Foreign Nationals		
	A	C	I	W	A	C	I	W	Male	Female	
Legislators, senior officials and managers											
Professionals											
Technicians and associate professionals											
Clerks											
Service and sales workers											
Skilled agricultural and fishery workers											
Craft and related trades workers											
Plant and machine operators and assemblers											
Elementary occupations											
TOTAL PERMANENT											1
Non – permanent employees											
GRAND TOTAL											1

14.11 Please indicate the numerical targets you have set to achieve for the total number of employees (including people with disabilities) for the end of the period following the period covered by the current report in terms of occupational levels. Note: A=Africans, C=Coloureds, I=Indians and W=Whites

Occupational Levels											TOTAL
	Male			Female				White Male	Foreign Nationals		
	A	C	I	A	C	I	W	W	Male	Female	
Top management			1								1
Senior management			6					1			7
Professionally qualified and experienced specialists and mid-management											
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents											
Semi-skilled and discretionary decision making	1		5		10		1				13
Unskilled and defined decision making			12		8						20
<i>TOTAL PERMANENT</i>	1		21		18		1	1			
Non – permanent employees			2								2
GRAND TOTAL	1	26			18		1	1			47

14.12 Please indicate the numerical targets you have set to achieve for the total number of **employees with disabilities only** for the end of the period following the period covered by the current report in terms of occupational levels. Note: A=Africans, C=Coloureds, I=Indians and W=Whites

Occupational Levels										TOTAL
	Male				Female				Foreign Nationals	
	A	C	I	W	A	C	I	W	Male	Female
Top management										
Senior management										
Professionally qualified and experienced specialists and mid-management										
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents										
Semi-skilled and discretionary decision making										
Unskilled and defined decision making										
<i>TOTAL PERMANENT</i>										1
Non – permanent employees										
GRAND TOTAL										1

Section H: Signature of the Chief Executive Officer

Chief Executive Officer

I hereby declare that I have read, approved and authorized this report.

Signed on this _____ day of _____ year _____

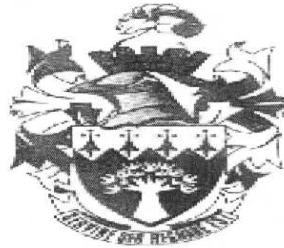
At place: _____

Signature: Chief Executive Officer

Full Name

KHAI-MA

MUNICIPALITY



[These financial statements have not been audited]

FINANCIAL STATEMENTS

30 JUNE 2009

KHAI MA MUNICIPALITY

Index

Contents	Page
General Information	1
Approval of the Financial Statements	2
Report of the Auditor General	3
Report of the Chief Financial officer	4
Statement of Financial Position	5
Statement of Financial Performance	6
Statement of Changes In Net Assets	7
Cash Flow Statement	8
Accounting Policies	9
Notes to the Financial Statements	24 - 50
APPENDICES	
A Schedule of External Loans	51
B Analysis of Property, Plant and Equipment	52 - 53
C Segmental Analysis of Property, Plant and Equipment	54
D Segmental Statement of Financial Performance - Municipal Votes	55
E (1) Actual Versus Budget (Revenue and Expenditure)	56
E (2) Actual Versus Budget (Acquisition of Property, Plant and Equipment)	57
F Disclosure of Grants and Subsidies In Terms of Section 123 of MFMA, 56 of 2003	58

KHAI-MA MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

GENERAL INFORMATION

NATURE OF BUSINESS

Khai Ma Municipality is a local municipality performing the functions as set out in the Constitution. (Act no 105 of 1996)

COUNTRY OF ORIGIN AND LEGAL FORM

South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)

JURISDICTION

The Khai Ma Municipality includes the following areas:

Pofadder
Pella
Omseepkans
Witbank
Aggeneys

ACTING MUNICIPAL MANAGER

Mr. P.J Baker

CHIEF FINANCIAL OFFICER

Mr. P van der Merwe

REGISTERED OFFICE

P.O. Box 108
Pofadder
8890

AUDITORS

The Auditor-General
Private Bag X5013
Kimberley
8300

PRINCIPLE BANKERS

The Standard Bank of S.A. Ltd
Pofadder Branch
P.O. Box 60
Pofadder
8890

ATTORNEYS

Mattews en Associates

RELEVANT LEGISLATION

Municipal Finance Management Act (Act no 56 of 2003)
Division of Revenue Act
The Income Tax Act
Value Added Tax Act
Municipal Structures Act (Act no 117 of 1998)
Municipal Systems Act (Act no 32 of 2000)
Municipal Planning and Performance Management Regulations
Water Services Act (Act no 108 of 1997)
Housing Act (Act no 107 of 1997)
Municipal Property Rates Act (Act no 6 of 2004)
Electricity Act (Act no 41 of 1987)
Skills Development Levies Act (Act no 9 of 1999)
Employment Equity Act (Act no 55 of 1998)
Unemployment Insurance Act (Act no 30 of 1966)
Basic Conditions of Employment Act (Act no 75 of 1997)
Supply Chain Management Regulations, 2005
Collective Agreements
Infrastructure Grants
SALBC Leave Regulations

KHAI-MA MUNICIPALITY

MEMBERS OF THE KHAI-MA MUNICIPALITY

WARD

Ward 1
Ward 2
Ward 3
Ward 4
Proportional
Proportional
Proportional

COUNCILLOR

Vacant
Councillor F.X.J. van Rooyen
Vacant
Councillor D. Swartbbooi
Councillor S.S. Brandt
Councillor J.J. Swartbooi
Councillor M. Groenewaldt

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements, which are set out on pages 5 to 58 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

PJ Baker
Acting Municipal Manager

Date

**REPORT OF THE AUDITOR-GENERAL TO THE NORTHERN CAPE PROVINCIAL
LEGISLATURE AND THE COUNCIL OF KHAI-MA MUNICIPALITY ON THE
FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF KHAI-MA
MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2009**

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying financial statements of the Khai-Ma Local Municipality which comprise the appropriation statement, the statement of financial position as at 30 June 2009, and the statement of financial performance, the statement of changes in net assets and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 1 to 50.

The accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the Statements of Generally Recognised Accounting Practice and in the manner required by the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Auditor-General's responsibility

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA) and section 126(3) of the MFMA, my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with the International Standards on Auditing read with *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the

reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

6. Paragraph 11 *et seq.* of the Statement of Generally Recognised Accounting Practice, GRAP 1 *Presentation of Financial Statements* requires that financial reporting by entities shall provide information on whether resources were obtained and used in accordance with the legally adopted budget. As the budget reporting standard is not effective for this financial year, I have determined that my audit of any disclosures made by the Khai-Ma Municipality in this respect will be limited to reporting on non-compliance with this disclosure requirement.
7. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

8. In my opinion the financial statements present fairly, in all material respects, the financial position of the Khai-Ma Municipality as at 30 June 2009 and its financial performance and cash flows for the year then ended, in accordance with the effective standards of Generally Recognised Accounting Practice (GRAP), and in the manner required by the MFMA.

Emphasis of matter

Without qualifying my opinion, I draw attention to the following matters:

Going concern

9. The municipality experienced severe cash flow problems. This is due to the fact that the municipality has a very small income base because of the severe number of unemployed households within the region. The municipality is dependant on grant funding due to the small income base. Should the equitable share not be increased substantially in the future, the municipality will be faced with serious going concern problems. Refer to note 61 to the financial statements where this going concern was disclosed.

Unauthorised expenditure

10. As disclosed in note 47.1 to the financial statements, unauthorised expenditure to the amount of R15 799 896 was incurred, as a result of total expenditure exceeding the annual budget.

Irregular expenditure

11. As disclosed in note 47.3 to the financial statements, irregular expenditure to the amount of R15 744 595 was incurred, as a proper tender process was not followed.

Fruitless and wasteful expenditure

12. As disclosed in note 47.2 to the financial statements, fruitless and wasteful expenditure to the amount of R5 544 was incurred, as a result of interest paid on overdue accounts.

Other matters

I draw attention to the following matters that relate to my responsibilities in the audit of the financial statements:

Other information included in the annual report

13. I have not obtained the other information included in the annual report or an annual report itself and have not been able to identify any material inconsistencies with the financial statements.

Unaudited supplementary schedules

14. The municipality provided supplementary information in the financial statements on whether resources were obtained and used in accordance with its legally adopted budget, in accordance with GRAP 1 *Presentation of Financial Statements*. The supplementary budget information set out on pages 51 to 58 do not form part of the financial statements and is presented as additional information. Accordingly I do not express an opinion thereon.

Non-compliance with applicable legislation

Municipal Finance Management Act

15. The municipality has an overdraft facility, however no evidence could be provided to ensure that this was approved by the council, as required by section 45(2) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA).
16. The accounting officer did not inform the provincial treasury in writing of the failure by the council of the municipality to adopt or implement a budget-related policy as required by section 73 of the MFMA.
17. The municipality did not submit and table the annual report as required by section 129 of the MFMA.
18. The accounting officer did not inform the mayor, the MEC for Local Government in the province and the Auditor-General, in writing, of irregular and unauthorised expenditure incurred by the municipality as required by section 32(4)(a) of the MFMA.
19. The municipality did not comply with section 65(2)(e) of the MFMA by paying its creditors within 30 days of receipt of the relevant invoice or statement.

20. The accounting officer did not fulfil his responsibilities for the management of the assets of the municipality, including the safeguarding and the maintenance of those assets, as required by section 63(1)(a) of the MFMA.

Municipal Systems Act

21. The disclosure of conflict of interests was not adequately documented as per schedule 1(S5) of the Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA).
22. There were no signed performance agreements for the municipal manager and managers for the financial year under review as required by section 57(1)(b) of the MSA.

Supply Chain Management Regulations

23. The municipality did not have a list of accredited prospective providers of goods and services as required by the Supply Chain Management Regulations (per GNR868).

Governance framework

24. The governance principles that impact the auditor's opinion on the financial statements are related to the responsibilities and practices exercised by the accounting officer and executive management and are reflected in the internal control deficiencies and key governance responsibilities addressed below:

Key governance responsibilities

25. The MFMA tasks the accounting officer with a number of responsibilities concerning financial and risk management and internal control. Many of these have been addressed in detail above. The table below reflects how certain of the financial and governance matters as well as other matters included under the reporting on performance information below, will be reported in the auditor's report.

No	Matter	Y	N
Clear trail of supporting documentation that is easily available and provided in a timely manner			
1.	No significant difficulties were experienced during the audit concerning delays or the availability of requested information.	X	
Quality of financial statements and related management information			
2.	The financial statements were not subject to any material amendments resulting from the audit.		X
3.	The annual report was submitted for consideration prior to the tabling of the auditor's report.		X
Timeliness of financial statements and management information			
4.	The annual financial statements were submitted for auditing as per the legislated deadlines section 126 of the MFMA.		X
Availability of key officials during audit			
5.	Key officials were available throughout the audit process.	X	
Development and compliance with risk management, effective internal control and governance practices			
6.	Audit committee		
	• The Municipality had an audit committee in operation throughout the financial year.		X
	• The audit committee operates in accordance with approved, written terms of reference.		X
	• The audit committee substantially fulfilled its responsibilities for the year, as set out in section 166(2) of the MFMA.		X

No	Matter	Y	N
7.	Internal audit		
	<ul style="list-style-type: none"> The Municipality had an internal audit function in operation throughout the financial year. 		X
	<ul style="list-style-type: none"> The internal audit function operates in terms of an approved internal audit plan. 		X
	<ul style="list-style-type: none"> The internal audit function substantially fulfilled its responsibilities for the year, as set out in section 165(2) of the MFMA. 		X
8.	There are no significant deficiencies in the design and implementation of internal control in respect of financial and risk management.		X
9.	There are no significant deficiencies in the design and implementation of internal control in respect of compliance with applicable laws and regulations.		X
10.	The information systems were appropriate to facilitate the preparation of the financial statements.		X
11.	A risk assessment was conducted on a regular basis and a risk management strategy, which includes a fraud prevention plan, is documented and used as set out in section 62(c)(i) of the MFMA.		X
12.	Delegations of responsibility are in place, as set out in section 79 of the MFMA.		X
Follow-up of audit findings			
13.	The prior year audit findings have been substantially addressed.		X
14.	SCOPA resolutions have been substantially implemented.	n/a	
Issues relating to the reporting of performance information			
15.	The information systems were appropriate to facilitate the preparation of a performance report that is accurate and complete.		X
16.	Adequate control processes and procedures are designed and implemented to ensure the accuracy and completeness of reported performance information.		X
17.	A strategic plan was prepared and approved for the financial year under review for purposes of monitoring the performance in relation to the budget and delivery by the Khai- Ma Municipality against its mandate, predetermined objectives, outputs, indicators and targets as per section 68/87 of the MFMA.		X
18.	There is a functioning performance management system and performance bonuses are only paid after proper assessment and approval by those charged with governance.		X

- 25.1 The financial statements were materially amended during the performance of the audit. This is mostly due to irregular, fruitless and wasteful and unauthorised expenditure that was identified by the auditors during the performance of the audit. Therefore management did not identify these issues during the year, which indicates a lack of monitoring and supervision.
- 25.2 An annual report was not prepared for the year under review. The accounting officer should ensure that an annual report is prepared in accordance with the MFMA.
- 25.3 The financial statements were not submitted on time as per the legislative deadline as the municipal offices were closed for four months during the year due to political unrest. This resulted in a backlog of work to have the financial records up to date before the financial statements could be compiled.
- 25.4 The municipality did not have any audit committee or internal audit functions performed during the year. Management should liaise with their district municipality to assist with these functions as shared functions are allowed by the MFMA. Internal audit and audit committee functions are imperative to ensure the proper functioning of internal control.
- 25.5 Inadequate accounting and internal control policies existed at the municipality resulting in various cases of non-compliance with legislation and accounting guidelines.
- 25.6 Management should develop and implement an adequate fraud prevention plan. This needs to be communicated to all staff within the municipality to ensure adherence thereof.
- 25.7 The implementation of audit recommendations requires improved monitoring and supervision by management.
- 25.8 There is no performance information system in place at the municipality. The IDP also is inadequate as it does not have key performance indicators. The IDP and budget furthermore are also not aligned. Detailed standard operating procedures setting out the roles and responsibilities of all levels of staff involved in the collection and collation of performance information, from source document to reporting, has not been prepared and communicated throughout the entire municipality. This is indicative of a situation where adequate control processes and procedures were not designed and implemented to ensure the accuracy and completeness of reported performance information and adequate mechanisms were not established to monitor and review the performance management system.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on performance information

26. I was engaged to review the performance information.

The accounting officer's responsibility for the performance information

27. In terms of section 121(3)(c) of the MFMA, the annual report of a municipality must include the annual performance report of the municipality prepared by the municipality in terms of section 46 of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA).

The Auditor-General's responsibility

28. I conducted my engagement in accordance with section 13 of the PAA read with *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008*.

29. In terms of the foregoing my engagement included performing procedures of an audit nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.

30. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for the audit findings reported below.

Findings of performance information

Non-compliance with regulatory requirements

No reporting of performance information

31. The Khai-Ma Municipality did not prepare an annual report or an annual performance report for the municipality in terms of section 46 of the MSA, and as required by section 121(3)(c) of the MFMA and because of the non-submission the reliability and consistency of performance information could not be confirmed.

32. The municipality did not set key performance indicators, including input indicators, output indicators and outcome indicators, in respect of each of the development priorities and objectives, as required by section 26(c) of the MSA.

No service delivery budget implementation plan

33. The municipality did have a service delivery budget implementation plan, but this was not implemented as it was not approved by the mayor as required by section 53(1)(c)(ii) of the MFMA.

Lack of effective, efficient and transparent systems and internal controls regarding performance management

34. The accounting officer did not ensure that the municipality had and maintained an effective, efficient and transparent system and internal controls regarding performance management, which described and represented how the institution's processes of performance planning, monitoring, measurement, review and reporting will be conducted, organised and managed, as required in terms of section 38(1)(a)(i) and (b) of the PFMA.

Content of integrated development plan

35. The integrated development plan of the Khai-Ma Municipality did not include the key performance indicators and performance targets determined in terms of its performance management system, as required by sections 26(i) and 41(1)(b) of the MSA and regulation 12 of the Municipal Planning and Performance Management Regulations, 2001.
36. Through inspection of the IDP 2007-08 to 2011-12 it was identified that there were no key objectives per objective. This is in contravention of the MSA, sections 41(1) and 45.
37. No evidence could be obtained regarding the submission of the 2007-2011 IDP or 2008-09 to the MEC for Local Government, as required by section 32(1)(a) of the MSA.

No mid-year budget and performance assessments

38. The accounting officer of the municipality did not assess the performance of the municipality during the first half of the financial year, taking into account the municipality's service delivery performance during the first half of the financial year and the service delivery targets and performance indicators set in the service delivery and budget implementation plan, as required by section 72 of the MFMA.

APPRECIATION

39. The assistance rendered by the staff of the Khai-Ma municipality during the audit is sincerely appreciated.

Auditor-General

Kimberley

1 February 2010



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

KHAI-MA MUNICIPALITY

FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2009

1. REVIEW OF OPERATING RESULTS

The overall operating results for the year ended 30 June 2009 as well as the comparison with the budgeted figures and the actual results of 2008 are summarised as follow:

Description	Budget 2009	Actual 2009	Variance	Variance Actual as % of Budget	Actual 2008
INCOME					
Operating Income	59,109,553	33,688,817	(25,420,736)	(43.01)	23,502,100
EXPENDITURE					
Operating Expenditure	(36,153,508)	(26,947,830)	9,205,678	25.46	(26,239,244)
Profit/(Loss) for the year	22,956,045	6,740,987	(16,215,058)	(70.64)	(2,737,144)

Details of operating results per department and classification of income and expenditure is included in the Statement of Performance and Appendix D in the financial statements.

2. OPERATING EXPENDITURE

The expenditure per function for the year ended 30 June 2009 as well as the comparison with the budgeted figures and the actual results of 2008 are summarised as follow:

Description	Budget 2009	Actual 2009	Variance	Variance Actual as % of Budget	Actual 2008
Employee related costs	5,160,450	5,121,338	39,112	0.76	4,419,737
Remuneration of Councillors	1,304,800	1,246,244	58,556	4.49	1,121,996
Debt Impairment		26,388	(26,388)	#DIV/0!	6,107,204
Increase in Provision for Rehabilitation of Landfill Site		189,727	(189,727)	#DIV/0!	311,968
Depreciation and Amortisation		1,680,466	(1,680,466)	#DIV/0!	1,450,503
Impairments		7,938,257	(7,938,257)	#DIV/0!	921,521
Repairs and Maintenance	790,000	606,899	183,101	23.18	523,903
Unamortised discount - Interest		488,549	(488,549)	#DIV/0!	158,319
Actuarial losses		-	-	#DIV/0!	117,574
Finance Charges	747,780	330,089	417,691	55.86	327,778
Bulk Purchases	2,200,000	2,395,380	(195,380)	(8.88)	1,750,819
Contracted services	230,000	184,576	45,424	19.75	206,671
General Expenses	25,720,478	6,739,917	18,980,561	73.80	8,821,251
TOTAL	36,153,508	26,947,830	9,205,678	#DIV/0!	26,239,244

3. OPERATING INCOME

Description	Budget 2009	Actual 2009	Variance	Variance Actual as % of Budget	Actual 2008
Property Rates	1,480,940	1,465,115	(15,825)	(1.07)	1,714,202
Government Grants and Subsidies	27,273,183	9,767,504	(17,505,679)	(64.19)	13,802,153
Contributed PPE	7,071,800	15,865,295	8,793,495	124.35	-
Fines	50,000	63,550	13,550	27.10	69,289
Actuarial Gains	-	126,551	126,551	#DIV/0!	-
Service Charges	5,215,390	4,985,515	(229,875)	(4.41)	6,674,613
Rental of Facilities and Equipment	84,900	93,966	9,066	10.68	87,370
Interest Earned - External					
Investments	150,000	239,669	89,669	59.78	195,524
Interest Earned - Outstanding					
Debtors	518,940	838,837	319,897	61.64	698,727
Licences and Permits	13,900	14,668	768	5.53	14,933
Agency Services	100,000	98,423	(1,577)	(1.58)	77,631
Other Income	1,285,100	129,904	(1,155,196)	(89.89)	167,658
TOTAL	43,244,153	33,688,997	(9,555,156)	#DIV/0!	23,502,100

4. EXTERNAL LOANS

Type	Balance at 30/06/2008	Received	Redeemed	Transferred	Balance at 30/06/2009
Annuity Loans	2,004,029	-	(506,945)	-	1,497,084
Lease Liabilities	58,816	-	(23,973)	-	34,843
TOTAL	2,062,845	-	(530,918)	-	1,531,927

5. PAYABLES, PROVISIONS AND UNSPENT CONDITIONAL GRANTS

	2009 R	2008 R
Payables	5,061,586	2,178,633
Provision - Staff Leave	513,727	13,224
Unspent Conditional Grants	2,750,661	736,816
	8,325,974	2,928,673

6. CONSUMER DEBTORS

	2009 R	2008 R
Property Rates	2,332,566.00	2,401,426.00
Electricity	314,247	140,827
Water	5,075,468	3,446,727
Refuse	674,246	476,788
Sewerage	755,459	508,018
Other	87,663	-
Water Recognition	20,759	45,715
Electricity Recognition	42,192	38,480
Refuse Recognition	2,544	4,275
	9,305,144	7,062,256
<u>Less:</u> Provision for Bad Debts	(6,104,832)	(6,078,444)
	3,200,312	983,812

Increase of consumer debtors due to non-payment off services.

7. CAPITAL EXPENDITURE

The following capital expenditure occurred during the 2008/2009 financial year:

Project	Budget	Expenditure	Variance
Land and Buildings	15,865,295	15,865,295	-
Infrastructure	6,921,800	806,656	6,115,144
Community Assets	270,000	10,826	259,174
Other Assets	139,905	9,824	130,081
TOTAL	23,197,000	16,692,601	6,504,399

SOURCE OF FINANCE

External Loans	
Government Grants and Subsidies	23,197,000
Capital Replacement Reserve	
Public Contributions	
TOTAL	23,197,000

No infrastructure projects could be started due to political instability during the financial year.

KHAI-MA MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2009

	Notes	2009 R	2008 R
NET ASSETS AND LIABILITIES			
Net Assets		39,296,561	28,021,117
Housing Development Fund	2	12,641	12,049
Capital Replacement Reserve	3	-	-
Capitalisation Reserve	3	-	-
Government Grant Reserve	3	-	-
Donations and Public Contribution Reserve	3	-	-
Self Insurance Reserve	3	-	-
Revaluation Reserve	3	4,353,078	-
Accumulated Surplus/(Deficit)		34,930,842	28,009,069
Non-Current Liabilities		5,255,832	4,864,695
Long-term Liabilities	4	354,189	389,524
Finance Leases	5	9,019	34,843
Non-current Provisions	6	4,892,624	4,440,328
Current Liabilities		9,043,919	4,054,083
Consumer Deposits	7	47,767	41,807
Provisions	8	91,260	272,551
Trade and other payables	9	5,537,527	2,191,857
Unspent Conditional Government Grants and Receipts	10	2,750,661	736,816
Unspent Conditional Public Contributions and Receipts	11	-	-
Taxes	12	-	-
Short-term Loans	13	-	-
Operating Lease Liability	23.1	-	-
Cash and Cash Equivalents	24	555,619	768,756
Current Portion of Long-term Liabilities	4	35,262	18,324
Current Portion of Finance Leases	5	25,824	23,973
Total Net Assets and Liabilities		53,596,312	36,939,895
ASSETS			
Non-Current Assets		45,739,086	34,115,302
Property, Plant and Equipment	14	45,739,086	34,115,302
Non-Current Assets Held for Sale	15	-	-
Investment Property	16	-	-
Intangible Assets	17	-	-
Investments	18	-	-
Long-Term Receivables	19	-	-
Current Assets		7,857,226	2,824,593
Inventory	20	1,063,633	1,078,593
Trade Receivables from exchange transactions	21	2,423,867	138,508
Other Receivables from non-exchange transactions	22	967,103	845,304
Unpaid Conditional Government Grants and Receipts	10	-	-
Operating Lease Asset	23.2	-	-
Taxes	12	324,338	-
Current Portion of Long-term Receivables	19	-	-
Cash and Cash Equivalents	24	3,078,285	762,188
Total Assets		53,596,312	36,939,895

KHAI-MA MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2009

	Notes	2009 R	2008 R
REVENUE			
Revenue from Non-exchange Transactions		27,287,835	15,585,644
Taxation Revenue		1,465,115	1,714,202
Property taxes	25	1,465,115	1,714,202
Transfer Revenue		25,632,799	13,802,153
Government Grants and Subsidies	26	9,767,504	13,802,153
Public Contributions and Donations	27	-	-
Contributed Property, Plant and Equipment	28	15,865,295	-
Other Revenue		189,921	69,289
Fines		63,550	69,289
Third party payments		-	-
Stock adjustments		-	-
Actuarial Gains	6	126,371	-
Changes in Fair Value	29.1	-	-
Other	30	-	-
Revenue from Exchange Transactions		6,400,982	7,916,456
Property Rates - penalties imposed and collection charges		-	-
Service Charges	31	4,985,515	6,674,613
Rental of Facilities and Equipment		93,966	87,370
Interest Earned - external investments		239,669	195,524
Interest Earned - outstanding debtors		838,837	698,727
Licences and Permits		14,668	14,933
Income for Agency Services		98,423	77,631
Other Income	32	129,904	167,658
Unamortised discount - Interest	33	-	-
Total Revenue		33,688,817	23,502,100
EXPENDITURE			
Employee related costs	34	5,121,338	4,419,737
Remuneration of Councillors	35	1,246,244	1,121,996
Debt Impairment	36	26,388	6,107,204
Collection costs		-	-
Increase in Provision for Rehabilitation of Landfill Site		189,727	311,968
Depreciation and Amortisation		1,680,466	1,450,503
Items of PPE Derecognised	37	7,938,257	921,521
Repairs and Maintenance		606,899	523,903
Unamortised discount - Interest	33	488,549	158,319
Actuarial losses	6	-	117,574
Finance Charges	38	330,089	327,778
Bulk Purchases	39	2,395,380	1,750,819
Contracted services		184,576	206,671
Grants and Subsidies Paid	40	-	-
Other Operating Grant Expenditure		-	-
General Expenses	41	6,739,916	8,821,251
Changes in Fair Value	29.2	-	-
Total Expenditure		26,947,830	26,239,244
Operating Surplus for the Year		6,740,987	(2,737,144)
Loss on disposal of Property, Plant and Equipment		-	-
Gain on disposal of Property, Plant and Equipment		-	-
NET SURPLUS/(DEFICIT) FOR THE YEAR		6,740,987	(2,737,144)
Refer to Appendix E(1) for explanation of variances			

KHAI-MA MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2009

	Notes	2009 R	2008 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, government and other		30,691,264	26,185,378
Cash paid to suppliers and employees		(10,854,051)	(21,846,445)
Cash generated/(absorbed) by operations	43	19,837,213	4,338,933
Interest Received		239,669	894,251
Interest Paid		(330,089)	(327,778)
Net Cash from Operating Activities		19,746,793	4,905,406
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment		(16,692,601)	(5,907,118)
Proceeds on Disposal of Fixed Assets		-	-
(Increase)/Decrease in Intangible Assets		-	-
(Increase)/Decrease in Long-term Receivables		-	-
(Increase)/Decrease in Non-current Investments		-	-
Net Cash from Investing Activities		(16,692,601)	(5,907,118)
CASH FLOW FROM FINANCING ACTIVITIES			
New loans raised/(repaid)		(530,919)	476,920
Increase/(Decrease) in Consumer Deposits		5,960	2,626
Net Cash from Financing Activities		(524,959)	479,546
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		2,529,233	(522,166)
Cash and Cash Equivalents at the beginning of the year		(6,567)	515,599
Cash and Cash Equivalents at the end of the year	44	2,522,666	(6,567)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		2,529,233	(522,166)

KHAI-MA MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2009

Pre-GAMAP Reserves and Funds	Housing Development Fund	Capital Replacement Reserve	Capitalisation Reserve	Government Grant Reserve	Donations and Public Contribution Reserve	Self Insurance Reserve	Revaluation Reserve	Accumulated Surplus/ (Deficit)	Total
R	R	R	R	R	R	R	R	R	R
Balance at 1 JULY 2007	-	75,627	-	797,526	11,236,430	221,480	-	13,946,691	26,277,754
Net Surplus/(Deficit) for the year	-	-	-	-	-	-	-	(2,737,144)	(2,737,144)
Correction of Error - Note 42.5	-	-	-	-	-	-	-	16,799,521	4,544,085
Donated/contributed PPE	-	-	-	(797,526)	(11,236,430)	(221,480)	-	-	-
Property, Plant and Equipment purchased	-	-	-	-	-	-	-	-	-
Capital Grants used to purchase PPE	-	-	-	-	-	-	-	-	-
Transfer to Housing Development Fund	(63,578)	-	-	-	-	-	-	-	(63,578)
Asset Disposals	-	-	-	-	-	-	-	-	-
Offsetting of depreciation	-	-	-	-	-	-	-	-	-
Balance at 30 JUNE 2008	-	12,049	-	-	-	-	-	28,009,069	28,021,117
Correction of Error	-	-	-	-	-	-	-	-	-
Restated balance	-	12,049	-	-	-	-	-	28,009,069	28,021,117
Net Surplus/(Deficit) for the year	-	-	-	-	-	-	-	6,740,987	6,740,987
Transfer to/from CRR	-	-	-	-	-	-	-	-	-
Revaluation of PPE	-	-	-	-	-	-	4,534,456	-	4,534,456
Property, Plant and Equipment purchased	-	-	-	-	-	-	-	-	-
Capital Grants used to purchase PPE	-	-	-	-	-	-	-	-	-
Transfer to Housing Development Fund	-	-	-	-	-	-	-	-	-
Write-offs	592	-	-	-	-	-	-	(592)	-
Asset Disposals	-	-	-	-	-	-	-	-	-
Offsetting of depreciation	-	-	-	-	-	-	(181,378)	181,378	-
Balance at 30 JUNE 2009	-	12,641	-	-	-	-	4,353,078	34,930,842	39,296,561

**ACCOUNTING PRINCIPLES AND POLICIES NOTES APPLIED IN THE
FINANCIAL STATEMENTS**

1.1. BASIS OF PREPARATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

These annual financial statements have been prepared in accordance with Directive 5 "Determining the GRAP Reporting Framework", issued by the Accounting Standards Board.

The standards are summarised as follows:

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 4	The Effects of changes in Foreign Exchange Rates
GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 7	Investments in Associate
GRAP 8	Interests in Joint Ventures
GRAP 9	Revenue from Exchange Transactions
GRAP 10	Financial Reporting in Hyperinflationary Economics
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events after the reporting date
GRAP 16	Investment Property
GRAP 17	Property, Plant and Equipment (PPE)
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GRAP 100	Non-Current Assets Held for Sale and Discontinued Operations
GRAP 101	Agricultural
GRAP 102	Intangible assets

Accounting policies for material transactions, events or conditions not covered by the above GRAP have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3.

A summary of the significant accounting policies, which have been consistently applied except where an exemption or transitional provision has been granted, are disclosed below.

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP.

KHAI MA MUNICIPALITY

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant notes to the Financial Statements.

In terms of Directive 4: "Transitional Provisions for Medium and Low Capacity Municipalities" issued by the Accounting Standards Board the municipality has adopted the transitional provisions for the following GRAP Standards:

GRAP 12 – Inventories;
GRAP 13 – Leases;
GRAP 16 – Investment Property;
GRAP 17 – Property, Plant and Equipment;
GRAP 19 – Provisions, Contingent Liabilities and Contingent Assets;
GRAP 100 – Non-current Assets Held for Sale and Discontinued Operations;
GRAP 102 – Intangible Assets.

1.2. PRESENTATION CURRENCY

Amounts reflected in the financial statements are in South African Rand and at actual values. No financial values are given in an abbreviated display format. No foreign exchange transactions are included in the statements.

1.3. GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.

1.4. COMPARATIVE INFORMATION

Budget information in accordance with GRAP 1, has been provided in an annexure to these financial statements and forms part of the audited annual financial statements.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.5. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

GRAP 18	Segment Reporting
GRAP 21	Impairment of non-cash-generating assets
GRAP 23	Revenue from Non-Exchange Transactions (Taxes and Transfers)
GRAP 24	Presentation of Budget Information in Financial Statements
GRAP 26	Impairment of cash-generating assets
GRAP 103	Heritage Assets

1.6. FOREIGN CURRENCY TRANSACTIONS

The Municipality will not incur a foreign currency liability other than that allowed by the MFMA.

1.7. RESERVES

1.7.1 *Housing Development Fund*

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from National and Provincial Government, used to finance housing selling schemes undertaken by the Municipality, were extinguished on 1 April 1998 and transferred to the Housing Development Fund. Housing selling schemes, both completed and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sale of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

1.7.2 *Capital Replacement Reserve (CRR)*

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus / (deficit) to the CRR. The cash in the CRR can only be utilized to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus / (Deficit) are credited by a corresponding amount when the amounts in the CRR are utilized.

1.7.3 *Revaluation Reserve*

The surplus arising from the revaluation of land and buildings is credited to a non-distributable reserve. The revaluation reserve is realized as revaluated buildings are depreciated, through a transfer from the Revaluation Reserve to the accumulated surplus / (deficit). On disposal, the net revaluation surplus is transferred to the accumulated surplus / (deficit) while gains or losses on disposal, based on revaluated amounts, are charged to the Statement of Financial Performance.

1.8. LEASES

1.8.1 *Municipality as Lessee*

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Transfer of ownership is not required to be recognised as a finance lease. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables.

KHAI MA MUNICIPALITY

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease.

1.8.2 Municipality as Lessor

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

1.9. UNSPENT CONDITIONAL GRANTS

Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from the public.

1.10. PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resource embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The municipality has a detailed formal plan for the restructuring identifying at least:
- the business or part of a business concerned;
 - the principal locations affected;
 - the location, function and approximate number of employees who will be compensated for terminating their services;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented.

- (b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

1.11. EMPLOYEE BENEFITS

(a) *Post Retirement Medical obligations*

The municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 70% as contribution and the remaining 30% are paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

(b) *Accrued Leave Pay*

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year end and also on the total remuneration package of the employee.

1.12. PROPERTY, PLANT AND EQUIPMENT

1.12.1 *Initial Recognition*

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

KHAI MA MUNICIPALITY

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

1.12.2 Subsequent Measurement – Revaluation Model

Subsequent to initial recognition, Property, Plant and Equipment are carried at a revalued amount, unless otherwise stated in the relevant Notes to the Financial Statements, being its fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in surplus or deficit, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

1.12.3 Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

1.12.4 Depreciation and Impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated useful lives

	Years		Years
<u>Infrastructure</u>		<u>Other</u>	
Roads and Paving	30	Buildings	30
Pedestrian Malls	30	Specialist vehicles	10
Electricity	20-30	Other vehicles	5
Water	15-20	Office equipment	3-7
Sewerage	15-20	Furniture and fittings	7-10
Housing	30	Watercraft	15
		Bins and containers	5
<u>Community</u>		Specialised plant and	
Buildings	30	Equipment	10-15
Recreational Facilities	20-30	Other plant and	
Security	5	Equipment	2-5
Halls	20-30	Landfill sites	15
Libraries	20-30	Quarries	25
Parks and gardens	15-20	Emergency equipment	10
Other assets	15-20	Computer equipment	3

Heritage assets

No depreciation

Finance lease assets

Office equipment 3

Other assets 5

1.12.5 De-recognition

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.13. INTANGIBLE ASSETS

1.13.1 Initial Recognition

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

1.13.2 Subsequent Measurement – Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

1.13.3 Amortisation and Impairment

KHAI MA MUNICIPALITY

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated useful lives:

<u>Intangible Assets</u>	<u>Years</u>
Computer Software	3

1.13.4 De-recognition

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.14. INVESTMENT PROPERTY

1.14.1 Initial Recognition

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

The cost of self-constructed investment property is the cost at date of completion.

1.14.2 Subsequent Measurement – Fair Value Model

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period in which it arises.

1.14.3 De-recognition

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.15. NON-CURRENT ASSETS HELD FOR SALE

1.15.1 Initial Recognition

KHAI MA MUNICIPALITY

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

1.15.2 Subsequent Measurement

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

1.16. CONSTRUCTION CONTRACTS

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by either the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs or surveys of work done or completion of a physical proportion of the contract work.

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

1.17. IMPAIRMENT OF ASSETS

The municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the municipality estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the municipality estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in

KHAI MA MUNICIPALITY

the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement.

1.18. INVENTORIES

1.18.1 Initial Recognition

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

1.18.2 Subsequent Measurement

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

In general, the basis of allocating cost to inventory items is the weighted average method.

1.19. FINANCIAL INSTRUMENTS

Financial instruments recognised on the balance sheet include trade and other receivables, cash and cash equivalents, annuity loans and trade and other payables.

1.19.1 Initial Recognition

Financial instruments are initially recognised at fair value.

1.19.2 Subsequent Measurement

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to-maturity, loans and receivables, or available for sale. Financial Liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

1.19.2.1 Investments

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairments and is calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

1.19.2.2 Trade and Other Receivables

For amounts due from debtors carried at amortised cost, the municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the income statement.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

1.19.2.3 Trade Payables and Borrowings

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

1.19.2.4 Cash and Cash Equivalents

KHAI MA MUNICIPALITY

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

1.19.3 De-recognition of Financial Instruments

1.19.3.1 Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the municipality has transferred substantially all the risks and rewards of the asset, or (b) the municipality has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, a new asset is recognised to the extent of the municipality's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the municipality's continuing involvement is the amount of the transferred asset that the municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

1.19.3.2 Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

1.19.4 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

1.19.5 Impairment of Financial Assets

The Municipality assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

1.20. REVENUE

1.20.1 Revenue from Non-Exchange Transactions

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Penalty interest on unpaid rates is recognised on a time proportionate basis as an exchange transaction.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

1.20.2 Revenue from Exchange Transactions

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered/ goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to electricity and water are based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse points per property.

Service charges from sewerage are based on a basic charge as per Council resolution.

Interest revenue is recognised using the effective interest rate method.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

1.20.3 Grants, Transfers and Donations (Non-Exchange Revenue)

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

1.21. RELATED PARTIES

KHAI MA MUNICIPALITY

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. It includes full-time councillors, being the Executive Mayor, Deputy Mayor and Speaker. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

1.22. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.23. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.24. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.25. CONTINGENT LIABILITIES

All known contingent liabilities are reflected in the financial statements.

1.26. AMENDED DISCLOSURE POLICY

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include fundamental errors, and the treatment of assets financed by external grants.

KHAI-MA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

		2009 R	2008 R
2	HOUSING DEVELOPMENT FUND		
	Housing Development Fund	12,641	12,049
	Unappropriated Surplus	12,641	12,049
	Loans extinguished by Government on 1 April 1998	-	-
	Total Housing Development Fund Assets and Liabilities	12,641	12,049
3	NET ASSET RESERVES		
	RESERVES	4,353,078	-
	Capital Replacement Reserve	-	-
	Capitalisation Reserve	-	-
	Government Grant Reserve	-	-
	Donations and Public Contribution Reserve	-	-
	Self Insurance Reserve	-	-
	Revaluation Reserve	4,353,078	-
	Total Net Asset Reserve and Liabilities	4,353,078	-
4	LONG TERM LIABILITIES		
	Annuity Loans - At amortised cost	1,497,084	2,004,029
	Less: Current Portion transferred to Current Liabilities	(35,262)	(18,324)
	Annuity Loans - At amortised cost	(35,262)	(18,324)
		1,461,822	1,985,706
	Less: Unamortised charges on loans	(1,107,633)	(1,596,182)
	Balance 1 July	(1,596,182)	-
	Adjustment for the period - Note 33	488,549	158,319
	Restatement of prior year comparatives - Note 43	-	(1,754,501)
	Total Long-term Liabilities - At amortised cost using the effective interest rate method	354,189	389,524
5	FINANCE LEASES		
	Capitalised Lease Liability - At amortised cost	34,843	58,816
	Less: Current Portion transferred to Current Liabilities		
	Capitalised Lease Liability - At amortised cost	(25,824)	(23,973)
	Total Finance Leases	9,019	34,843
	The obligations under finance leases are scheduled below:		
	Amounts payable under finance leases:		
	Payable within one year	27,552	27,552
	Payable within two to five years	9,160	36,712
	Payable after five years	-	-
		36,712	64,264
	Less: Future finance obligations	(1,869)	(5,448)
	Present value of lease obligations	34,843	58,816
	Refer to Appendix A for descriptions, maturity dates and effective interest rates of structured loans and finance. Leases are secured by property, plant and equipment - Note 14		
6	NON-CURRENT PROVISIONS		
	Provision for Post Retirement Benefits	2,142,624	2,069,782
	Provision for Rehabilitation of Landfill-sites	2,750,000	2,370,546
	Total Non-current Provision Liabilities	4,892,624	4,440,328

KHAI-MA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009 R	2008 R
<u>Post Retirement Benefits</u>		
Balance 1 July	2,152,606	1,909,751
Contribution for the year	290,473	203,485
Expenditure for the year	(82,824)	(78,204)
Actuarial Loss/(Gain)	(128,371)	117,574
Total provision 30 June	2,233,884	2,152,606
Less: Transfer of Current Portion to Current Provisions - Note 8	(91,260)	(82,824)
Balance 30 June	2,142,624	2,069,782
<u>Landfill Sites</u>		
Balance 1 July	2,560,273	2,248,305
Contribution for the year	189,727	311,968
Expenditure for the year		
Total provision 30 June	2,750,000	2,560,273
Less: Transfer of Current Portion to Current Provisions - Note 8	-	(189,727)
Balance 30 June	2,750,000	2,370,546
<u>TOTAL NON-CURRENT PROVISIONS</u>		
Balance 1 July	4,712,879	4,158,056
Contribution for the year	480,200	515,453
Expenditure for the year	(82,824)	(78,204)
Actuarial Loss/(Gain)	(128,371)	117,574
Total provision 30 June	4,983,884	4,712,879
Less: Transfer of Current Portion to Current Provisions - Note 8	(91,260)	(272,551)
Balance 30 June	4,892,624	4,440,328

6.1 Provision for Post Retirement Benefits

The Post Retirement Benefit Plan is a defined benefit plan, of which the members are made up as follows:

In-service (employee) members	11	11
Continuation members (e.g. Retirees, widows, orphans)	4	4
Total Members	15	15

The liability in respect of past service has been estimated to be as follows:

In-service members	793,761	
Continuation members	1,440,123	
Total Liability	2,233,884	2,152,606

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

LA Health
Key Health

The Current-service Cost for the ensuing year is estimated to be R 64,362, whereas the Interest Cost for the next year is estimated to be R 201,741.

Key actuarial assumptions used:	2009 %	2008 %
i) Rate of interest		
Discount rate	9.22%	10.98%
Health Care Cost Inflation Rate	7.67%	10.02%
Net Effective Discount Rate	1.43%	0.88%
ii) Mortality rates		
The PA 90 ultimate table, rated down by 1 year of age was used by the actuaries.		

KHAI-MA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

iii) Normal retirement age

The normal retirement age for employees of the municipality is 63 years.

	2009 R	2008 R
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	2,233,884	2,152,606
Fair value of plan assets	-	-
	<u>2,233,884</u>	<u>2,152,606</u>
Unrecognised past service cost	-	-
Unrecognised actuarial gains/(losses)	-	-
Present Value of unfunded obligations	-	-
Net liability/(asset)	<u>2,233,884</u>	<u>2,152,606</u>

The municipality has elected to recognise the full increase in this defined benefit liability immediately as per IAS 19, Employee Benefits, paragraph 155 (a).

Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year	2,152,606	1,909,751
Total expenses	207,649	125,281
Current service cost	60,751	47,213
Interest Cost	229,722	156,272
Benefits Paid	(82,824)	(78,204)
Actuarial (gains)/losses	(126,371)	117,574
Present value of fund obligation at the end of the year	<u>2,233,884</u>	<u>2,152,606</u>

Reconciliation of fair value of plan assets:

Fair value of plan assets at the beginning of the year	-	-
Expected return on plan assets	-	-
Contributions: Employer	-	-
Contributions: Employee	-	-
Past Service Costs	-	-
Actuarial (gains)/losses	-	-
Benefits Paid	-	-
Fair value of plan assets at the end of the year	<u>-</u>	<u>-</u>

The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:

	Increase	Decrease
Effect on the aggregate of the current service cost and interest cost components	344,900	247,100
Effect on the defined benefit obligation	2,599,000	1,938,000

6.2 Provision for the rehabilitation of landfill-sites

	2009 R	2008 R
Balance 1 July	2,560,273	2,248,305
Charged/(credited) to the income statement	189,727	311,968
Additional provisions	189,727	311,968
Contribution to provision - Change in Accounting Policy	-	-
Reversal of provision overstated	-	-
Transfer to current portion	-	-
Balance 30 June	<u>2,750,000</u>	<u>2,560,273</u>

In terms of the licensing of the landfill refuse site, the municipality will incur rehabilitation costs in future to restore the sites at the end of their useful lives, estimated to be in 2012. Provision has been made for closing- and rehabilitation costs till date. The municipality is in process to calculate the projected cost of rehabilitation in 2012.

Exemptions taken for provisions according to Directive 4 - Transitional Provisions for Medium and Low Capacity Municipalities - Note 60

KHAI-MA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

		2009 R	2008 R
6.3	Retirement funds		
	<u>CAPE JOINT PENSION FUND</u>		
	This fund comprises a defined benefit section and a defined contribution section. The Cape Joint Pension Fund is a multi-employer plan and the contribution rate payable is 9%, by the members and 18% by Council. In respect of the defined benefit section the last valuation performed for the year ended 30 June 2008 (30 June 2007) revealed that the fund had an actuarial surplus of R182,733 (R 200,209) million with a funding level of 106,5% (107,1%), and is in a sound financial state as at 30 June 2008.		
	<u>CAPE JOINT RETIREMENT FUND</u>		
	This fund comprises a defined benefit section and a defined contribution section. The contribution rate paid by the members (9,0%) and Council (18,0%) is sufficient to fund the benefits accruing from the fund in future. In respect of the defined contribution section the last valuation performed for the year ended 30 June 2008 (30 June 2007) revealed that the fund had an actuarial surplus of R12,033 (R 20,22) million with a funding level of 103,3% (105,3%) and is in a sound financial position as at 30 June 2008.		
	<u>MUNICIPAL COUNCILLORS PENSION</u>		
	The Municipal Councillors Pension Fund operates as a defined contribution scheme. The contribution rate paid by the members (13,75%) and council (15%). The financial statements of the fund have not been audited since June 2006 and the financial position of the fund is not available		
7	CONSUMER DEPOSITS		
	Water and Electricity	47,767	41,807
	Total Consumer Deposits	47,767	41,807
	The fair value of consumer deposits approximate their carrying value. Interest is not paid on these amounts.		
	Guarantees held in lieu of Water Deposits	-	-
8	PROVISIONS		
	Performance Bonuses	-	-
	Current Portion of Non-Current Provisions	91,260	272,551
	Current Portion of Rehabilitation of Landfill Sites - Note 6	-	189,727
	Current Portion of Post Retirement Benefits - Note 6	91,260	82,824
	Total Provisions	91,260	272,551
	The movement in current provisions are reconciled as follows:		
	<u>Rehabilitation of Landfill Sites</u>		
	Balance at beginning of year	-	-
	Transfer from non-current	-	189,727
	Contribution to provision	-	-
	Expenditure incurred	-	-
	Balance at end of year	-	189,727
	<u>Post Retirement Benefits</u>		
	Balance at beginning of year	-	-
	Transfer from non-current	91,260	82,824
	Contribution to provision	-	-
	Expenditure incurred	-	-
	Balance at end of year	91,260	82,824

KHAI-MA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009 R	2008 R
<u>TOTAL - CURRENT PROVISIONS</u>		
Balance at beginning of year	13,224	9,363
Transfer from non-current	91,260	272,551
Transfer to Trade Payables	-	-
Contribution to provision	-	-
Expenditure incurred	-	-
Balance at end of year	104,484	281,914
For more information regarding the provisions for Post Retirement Benefits and Long-term Service Awards - Refer to Note 5 to the Financial Statements, Other Defined Benefit Plan Information		
Exemptions taken for provisions according to Directive 4 - Transitional Provisions for Medium and Low Capacity Municipalities - Note 60		
9 TRADE AND OTHER PAYABLES		
Payments received in advance	59,783	15,851
Sundry Creditors		4,718
Staff Leave	475,941	13,224
Other Creditors	4,997,803	2,158,064
Deposits: Other	4,000	
Total Trade Payables	5,537,527	2,191,857
<u>Staff Leave</u>		
Balance at beginning of year	13,224	9,363
Contribution to provision	517,833	100,000
Expenditure incurred	(54,916)	(96,139)
Balance at end of year	475,941	13,224
10 UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS		
10.1 Conditional Grants from other spheres of Government		
Unspent Grants	2,750,661	736,816
National and Provincial Government Grants	2,750,661	736,816
Correction of error - Note		
Restated balance 30 June 2007	2,750,661	736,816
Less: Unpaid Grants	-	-
National Government Grants	-	-
Provincial Government Grants	-	-
Other Sources	-	-
Total Conditional Grants and Receipts	2,750,661	736,816
See appendix "F" for reconciliation of grants from other spheres of government. The Unspent Grants are cash-backed by term deposits. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.		
11 UNSPENT CONDITIONAL PUBLIC CONTRIBUTIONS AND RECEIPTS		
Unspent augmentation fees from developers		
12 TAXES		
VAT Payable	-	-
VAT Receivable	324,338	-
13 SHORT-TERM LOANS		
The Municipality has no short term loans.		

KHAI-MA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

14 PROPERTY, PLANT AND EQUIPMENT

30 JUNE 2009

Reconciliation of Carrying Value	Land and Buildings R	Infrastructure R	Community R	Heritage R	Lease Assets R	Other R	Housing R	Total R
Carrying value at 1 JULY 2008	14,379,472	8,587,228	6,968,331	61,970	49,573	4,068,729	-	34,115,302
Cost	15,098,888	19,508,317	7,579,110	61,970	114,399	5,596,611	-	47,959,295
Original Cost	15,098,888	19,508,317	7,579,110	61,970	114,399	5,596,611	-	47,959,295
Change in Accounting Policy - Note 42.3	-	-	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-	-	-
Accumulated Depreciation	-719,416	-10,921,089	-610,779	-	-64,826	-1,527,882	-	-13,843,993
Original Cost	-719,416	-10,921,089	-610,779	-	-64,826	-1,527,882	-	-13,843,993
Revaluation	-	-	-	-	-	-	-	-
Acquisitions	15,865,295	806,656	-	-	-	9,824	-	16,681,775
Under Construction	-	-	10,826	-	-	-	-	10,826
Transfers from/to) Non-current Assets Held for Sale - Note 15	-	-	-	-	-	-	-	-
Cost	-	-	-	-	-	-	-	-
Accumulated Depreciation	-	-	-	-	-	-	-	-
Transfers from/to) Investment Properties - Note 16	-	-	-	-	-	-	-	-
Cost	-	-	-	-	-	-	-	-
Accumulated Depreciation	-	-	-	-	-	-	-	-
Transfers from/to) Intangible Assets - Note 17	-	-	-	-	-	-	-	-
Cost	-	-	-	-	-	-	-	-
Accumulated Depreciation	-	-	-	-	-	-	-	-
Revaluations	1,951,106	28,000	2,555,350	-	-	-	-	4,534,456
Depreciation	-107,574	-707,532	-324,869	-	-22,880	-517,613	-	-1,680,466
Normal Depreciation	-107,574	-707,532	-324,869	-	-22,880	-517,613	-	-1,680,466
Backlog Depreciation previously not recorded	-	-	-	-	-	-	-	-
Carrying value of disposals	-	-	-	-	-	-	-	-
Cost	-	-	-	-	-	-	-	-
Accumulated Depreciation	-	-	-	-	-	-	-	-
Items of PPE Derecognised	-6,966,666	-27,227	-767,794	-	-	-161,121	-	-7,922,807
Cost	-7,119,204	-77,678	-1,175,865	-	-	-1,279,754	-	-9,652,500
Accumulated Depreciation	152,538	50,451	408,071	-	-	1,118,634	-	1,729,693
Carrying value at 30 JUNE 2009	25,121,634	8,687,126	8,441,845	61,970	26,693	3,399,819	-	45,739,086
Cost	25,796,085	20,265,296	8,969,422	61,970	114,399	4,326,681	-	59,533,852
Original Cost	23,844,979	20,237,296	6,414,072	61,970	114,399	4,326,681	-	54,999,396
Revaluation	1,951,106	28,000	2,555,350	-	-	-	-	4,534,456
Accumulated Depreciation	-674,452	-11,578,170	-527,577	-	-87,706	-926,862	-	-13,794,766
Original Cost	-674,452	-11,578,170	-527,577	-	-87,706	-926,862	-	-13,794,766
Revaluation	-	-	-	-	-	-	-	-

Reconciliation of Carrying Value							
	Land and Buildings R	Infrastructure R	Community R	Heritage R	Lease Assets R	Other R	Housing R
Carrying value at 1 JULY 2007	13,419,092	6,665,186	6,950,672	-	49,573	3,495,685	-
Cost	14,070,005	16,903,181	7,388,349	-	114,399	4,577,697	-
Original Cost	8,898,700	16,841,852	7,388,349	-	114,399	2,694,226	-
Change in Accounting Policy	5,171,305	61,329	-	-	-	1,883,471	-
Accumulated Depreciation	-650,912	-10,237,995	-437,677	-	-64,826	-1,082,012	-
Original Cost	-485,510	-10,237,995	-437,677	-	-64,826	-1,078,950	-
Change in Accounting Policy	-165,402	-	-	-	-	-3,062	-
Acquisitions	1,912,500	2,643,040	190,761	61,970	-	1,098,847	5,907,118
Transfers from/(to) Non-current Assets Held for Sale - Note 15	-	-	-	-	-	-	-
Cost	-	-	-	-	-	-	-
Accumulated Depreciation	-	-	-	-	-	-	-
Transfers from/(to) Investment Properties - Note 16	-	-	-	-	-	-	-
Cost	-	-	-	-	-	-	-
Accumulated Depreciation	-	-	-	-	-	-	-
Transfers from/(to) Intangible Assets - Note 17	-	-	-	-	-	-	-
Cost	-	-	-	-	-	-	-
Accumulated Depreciation	-	-	-	-	-	-	-
Revaluations	-88,504	-683,094	-173,102	-	-	-525,803	-
Depreciation	-57,731	-680,269	-173,102	-	-	-406,097	-
Normal Depreciation	-10,773	-2,825	-	-	-	-119,706	-
Backlog Depreciation previously not recorded	-	-	-	-	-	-79,933	-
Carrying value of disposals	-883,617	-37,904	-	-	-	-79,933	-
Cost	-883,617	-37,904	-	-	-	-79,933	-
Accumulated Depreciation	-	-	-	-	-	-	-
Impairment losses	-883,617	-37,904	-	-	-	-79,933	-
Cost	-883,617	-37,904	-	-	-	-79,933	-
Accumulated Depreciation	-	-	-	-	-	-	-
Carrying value at 30 JUNE 2008	14,379,472	8,587,228	6,968,331	61,970	49,573	4,068,729	34,115,302
Cost	15,098,888	19,508,317	7,579,110	61,970	114,399	5,596,611	47,959,295
Original Cost	15,098,888	19,508,317	7,579,110	61,970	114,399	5,596,611	47,959,295
Revaluation	-	-	-	-	-	-	-
Accumulated Depreciation	-719,416	-10,921,089	-610,779	-	-64,826	-1,527,882	-
Original Cost	-719,416	-10,921,089	-610,779	-	-64,826	-1,527,882	-
Revaluation	-	-	-	-	-	-	-

The leased property, plant and equipment is secured as set out in Note 5.

Land and Buildings were revalued on 1 July 2008 by an independent valuer, Vulliamis. Fair values were determined by reference to observable prices in the active market or recent market transactions on arm's length transactions.

The book value of Property, Plant and Equipment would have been R41 386 008 on 30 June 2009, if no revaluation took place.

Refer to Appendix B for more detail on property, plant and equipment, including those in the course of construction.

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in March 2009. The municipality did not measure all the Property, Plant and Equipment in accordance with the standard, including the following:

Land:

Property, Plant and Equipment financed by way of finance leases;

Property, Plant and Equipment financed by way of provisions;

Property, Plant and Equipment transferred as a result of the transfer of functions; and

Componentised infrastructure assets.

The municipality is currently in a process of identifying all Property, Plant and Equipment and have it valued in terms of GRAP 17 and it is expected that this process will be completed for inclusion in the 2010 financial statements. The Municipality is in the process of itemizing all infrastructure and community assets and will recalculate accumulated depreciation once this exercise has been completed by 30 June 2010. At present depreciation on these assets is calculated on an averaging basis whereby an average useful life has been estimated for each category of infrastructure and community assets, using global historical costs recorded in the accounting records.

The municipality did not measure the following, in terms of the transitional provisions:

- Review of useful life of item of PPE recognised in the annual financial statements.
- Review of the depreciation method applied to PPE recognised in the annual financial statements.
- Review of residual values of item of PPE recognised in the annual financial statements.
- Impairment of non-cash generating assets.
- Impairment of cash generating assets.

KHAI-MA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

		2009 R	2008 R
15	NON-CURRENT ASSETS HELD FOR SALE		
	Non-current assets held for sale at beginning of year - at book value	-	-
	Additions for the year		
		-	-
	Non-current assets sold/written off during the year		
	Non-current assets held for sale at end of year - at book value	-	-
	Exemptions taken according to Directive 4 - Transitional Provisions for Medium and Low Capacity Municipalities - Note 59		
16	INVESTMENT PROPERTY		
	Net Carrying amount at 1 July	-	-
	Cost		
	Accumulated Depreciation		
	Transfer to Property, Plant and Equipment - Note 14	-	-
	Cost		
	Accumulated Depreciation		
	Acquisitions		
	Depreciation for the year		
	Net Carrying amount at 30 June	-	-
	Cost		
	Accumulated Depreciation		
	Exemptions taken according to Directive 4 - Transitional Provisions for Medium and Low Capacity Municipalities - Note 59		
17	INTANGIBLE ASSETS		
	Net Carrying amount at 1 July	-	-
	Change in Accounting Policy - Transfer from Property, Plant and Equipment		
	Cost		
	Accumulated Amortisation		
	Acquisitions		
	Amortisation		
	Disposals		
	Amortisation written back on disposal		
	Net Carrying amount at 30 June	-	-
	Cost		
	Accumulated Amortisation		
	Exemptions taken according to Directive 4 - Transitional Provisions for Medium and Low Capacity Municipalities - Note 59		
18	INVESTMENTS		
	Financial Instruments		
	Unlisted		
	Long term deposits	-	-
	Total Investments	-	-
	No investments have been pledged as security for any funding facilities of the council.		
	Investments are made in terms of the municipality's Cash Management and Investment Policy, as required by means of Regulation R 308 of 1 April 2005 gazetted in the Government Gazette No 27431 of 1 April 2005 and issued by the Minister of Finance.		

KHAI-MA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009 R	2008 R
19 LONG TERM RECEIVABLES		
Staff Car Loans - At amortised cost	-	-
Less: Unamortised Discount on Loans	-	-
Balance 1 July		
Adjustment for the period		
Change in Accounting Policy - Note 42.2		
Less: Current portion transferred to current receivables	-	-
Staff Car Loans - At amortised cost	-	-
Less: Provision for Impairment of Long Term Receivables	-	-
Total Long Term Receivables	-	-
20 INVENTORY		
Housing-Inventory held for transfer	1,055,550	1,071,000
Water - At purification cost	8,083	7,593
Total Inventory	1,063,633	1,078,593
Consumable stores materials written down due to losses as identified during the annual stores counts.	-	-
21 TRADE RECEIVABLES FROM EXCHANGE TRANSACTIONS		
Electricity	314,247	140,827
Water	5,075,468	3,446,727
Refuse	674,246	476,788
Sewerage	755,459	508,018
Recognition - Water debt	20,759	45,715
Recognition - Electricity debt	42,192	38,480
Recognition - Sewerage dept	2,544	4,275
Other Receivables	87,663	-
Total: Trade receivables from exchange transactions (before provision)	6,972,577	4,660,830
Provision for impairments	(4,548,710)	(4,522,322)
Total: Trade receivables from exchange transactions (after provision)	2,423,867	138,508
The fair value of other receivables approximate their carrying value.		
(Electricity, Water and Sewerage): Ageing		
Current (0 - 30 days)	4,024	-
Previous	554,435	431,358
31 - 60 Days	268,195	186,149
61 - 90 Days	187,574	231,637
+ 90 Days	5,805,192	3,723,217
Total	6,819,419	4,572,361
Summary of Debtors by Customer Classification		
	Residential	Industrial/ Commercial
		Provincial Government
30 JUNE 2009		
Current (0 - 30 days)	4,024	-
Previous	466,671	39,211
31 - 60 Days	258,943	704
61 - 90 Days	178,658	280
+ 90 Days	5,721,787	6,041
Sub-total	6,630,083	46,236
Less: Provision for bad debts	(4,452,608)	(96,103)
Total debtors by customer classification	2,177,475	46,236

KHAI-MA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

Summary of Debtors by Customer Classification

	<u>Residential</u>	<u>Industrial/ Commercial</u>	<u>National and Provincial Government</u>
30 JUNE 2008			
Current (0 - 30 days)			
31 - 60 Days			
61 - 90 Days			
+ 90 Days			
Sub-total	-	-	-
Less: Provision for bad debts			
Total debtors by customer classification	-	-	-
		2009 R	2008 R

Reconciliation of Provision for Bad Debts

Balance at beginning of year	4,522,322	143,895
Contribution to provision	26,388	4,380,936
Bad Debts (written off)		(2,509)
Balance at end of year	4,548,710	4,522,322

The total amount of this provision is R 4,548,711 and consist of:

Rates	4,548,710	4,522,322
Other Debtors	-	-
Total Provision for Bad Debts on Trade Receivables from exchange transactions	4,548,710	4,522,322

The provision for doubtful debts on debtors (loans and receivables) exists due to the possibility that not all debts will be recovered. Loans and receivables were assessed individually and grouped together at the Statement of Financial Position date as financial assets with similar credit risk characteristics and collectively assessed for impairment.

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

22

OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Taxes - Rates	2,332,566	1,967,186
Other Debtors	92,160	194,263
Irregular, Fruitless and Wasteful Expenditure - Receivables	32,917	
Suspense Accounts	65,582	
VAT		239,977
	2,523,225	2,401,426
Less: Provision for bad debts	(1,556,122)	(1,556,122)
Total Other Receivables from non-exchange transactions	967,103	845,304

The fair value of other receivables approximate their carrying value.

(Rates): Ageing

Current (0 - 30 days)	-	44
Previous	42,049	42,704
31 - 60 Days	22,852	23,568
61 - 90 Days	22,278	21,621
+ 90 Days	2,245,387	1,879,248
Total	2,332,566	1,967,185

KHAI-MA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

Summary of Debtors (Rates) by Customer Classification

	<u>Residential</u>	<u>Industrial/ Commercial</u>	<u>National and Provincial Government</u>
30 JUNE 2009			
Current (0 - 30 days)		-	
Previous	36,889	4,973	187
31 - 60 Days	22,063	602	187
61 - 90 Days	21,445	648	186
+ 90 Days	2,180,365	63,296	1,725
Sub-total	2,260,762	69,519	2,286
Less: Provision for bad debts	(1,509,699)	(46,423)	
Total debtors by customer classification	751,063	23,096	2,286

Summary of Debtors (Rates) by Customer Classification

	<u>Residential</u>	<u>Industrial/ Commercial</u>	<u>National and Provincial Government</u>
30 JUNE 2008			
Current (0 - 30 days)			
31 - 60 Days			
61 - 90 Days			
+ 90 Days			
Sub-total	-	-	-
Less: Provision for bad debts			
Total debtors by customer classification	-	-	-

Reconciliation of Provision for Bad Debts

	2009 R	2008 R
Balance at beginning of year	1,556,122	406,751
Contribution to provision	-	1,726,268
Bad Debts (written off)	-	(576,897)
Balance at end of year	1,556,122	1,556,122

The total amount of this provision is R 1,556,122 and consist of:

Taxes		
Other	1,556,122	1,556,122
Total Provision for Bad Debts on Trade Receivables from non-exchange transactions	1,556,122	1,556,122

The provision for doubtful debts on debtors (loans and receivables) exists due to the possibility that not all debts will be recovered. Loans and receivables were assessed individually and grouped together at the Statement of Financial Position date as financial assets with similar credit risk characteristics and collectively assessed for impairment.

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

23

OPERATING LEASE ARRANGEMENTS

23.1 **The Municipality as Lessee**

Leases not previously recognised - Note 42.6

Balance on 30 June	-	-
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KHAI-MA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009 R	2008 R
At the Statement of Financial Position date, where the municipality acts as a lessee under operating leases, it will pay operating lease expenditure as follows:		
Up to 1 Year	-	-
1 to 5 Years	-	-
More than 5 Years	-	-
Total Operating Lease Arrangements	-	-
Reconciliation		
Amount previously recorded (Through change in accounting policy)	-	-
Change in accounting policy - Note 42.6	-	-
Movement during the year	-	-
Balance on 30 June	-	-
23.2 The Municipality as Lessor		
Leases not previously recognised - Note 42.6	-	-
Balance on 30 June	-	-
At the Statement of Financial Position date, where the municipality acts as a lessor under operating leases, it will receive operating lease income as follows:		
Up to 1 Year	63,795	63,574
1 to 5 Years	114,678	178,472
More than 5 Years	-	-
Total Operating Lease Arrangements	178,472	242,046
Reconciliation		
Amount previously recorded (Through change in accounting policy)	-	-
Change in accounting policy - Note 42.6	-	-
Movement during the year	-	-
Balance on 30 June	-	-
24 CASH AND CASH EQUIVALENTS		
Assets		
Call Investments Deposits		
Watersupply Pofadder (007)	26,855	44,655
Municipal System Improvement Grant (007)	736,267	88,090
Leave Gratuity (007)	58,308	13,224
Library (007)	261,003	140,889
Housingfund (007)	12,048	12,048
Refuse Site (007)	41,764	41,764
LGSETA (007)	42,030	18,130
Other Deposits	200,000	-
NDFT Fencing of graveyards (007)	9,181	9,181
SKEP -Hikingtrail (007)	12,169	55,008
Build of 150 Houses (009)	-	-
Build of 30 Houses (013)	87,994	96,841
Municipal Infrastructure Grant (007)	286,257	1,946
Finance Management Grant (010)	977,511	240,312
Municipal Infrastructure Grant (L-Gov) 016	326,796	-
Primary Bank Account	-	-
Cash Floats	100	100
Total Cash and Cash Equivalents - Assets	3,078,285	762,188
Liabilities		
Primary Bank Account	555,619	768,756
Total Cash and Cash Equivalents - Liabilities	555,619	768,756
Call Investments Deposits to an amount of R 3,078,185 are held to fund the Unspent Conditional Grants (2008: R 762,088).		

KHAI-MA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009 R	2008 R
The municipality has the following bank accounts:		
Current Accounts		
Standard Bank Limited – Pofadder Branch Account Number 04 185 0173	(555,619)	(768,756)
	(555,619)	(768,756)
Standard Bank Limited – Pofadder Branch Account Number 04 185 0173		
Cash book balance at beginning of year	(768,756)	(563,332)
Cash book balance at end of year	(555,619)	(768,756)
Bank statement balance at beginning of year	(801,556)	(434,653)
Bank statement balance at end of year	(503,637)	(601,556)
The Municipality has a bank overdraft facility of R700,000. R200,000 of the call account balance is pledged as security for the overdraft facility.		

25

PROPERTY RATES

Actual

Rateable Land and Buildings

Residential / Commercial Property
Agricultural Purposes
State - National / Provincial Services

Less: Rebates

Total Assessment Rates

7,106,531	1,714,202
2,482,824	1,563,492
4,623,707	85,301
-	65,409
(5,641,416)	
1,465,115	1,714,202

Valuations - 1 JULY 2008

Rateable Land and Buildings

Residential / Commercial Property
Agricultural Purposes
State - National / Provincial Services

Less: Income Forgone

Total Assessment Rates

355,326,530	254,075,430
203,805,630	73,369,100
142,581,000	177,149,330
8,939,900	3,557,000
(282,070,768)	
73,255,762	254,075,430

The applicable rates that are applied to property valuations to determine assessment rates are as follows:-
Agricultural land - 0.0005 cents per rand, land and improvements -0.028 cents per rand. A discount of 20% was granted to the State

26

GOVERNMENT GRANTS AND SUBSIDIES

Equitable share	5,873,205	4,700,081
DWAF operating grants	541,103	650,676
DWAF capital grants	17,800	215,510
Black Mountain	3,500	-
Finance management grant	512,802	434,329
Library	144,059	80,273
NDM operating grant	250,000	297,732
NDM capital grant	33,168	-
MSIG	86,823	656,756
NER	-	230,000
Extention Library	10,826	-
MIG- Upgrading of sewerage	755,689	2,030,208
Water supply Pofadder (PIG)	-	270,976
EPWP	-	617,800
Dept. Health	-	132,650
Dept. Agriculture and Land Reforms	-	1,882,500
Siyanda District Municipality	-	30,000
NDFT	900	166,930
Department of Housing and Local Government	-	500,000
Department of Housing and Local Government: Housing	1,478,404	768,945
Sport Development grant	-	120,000
DBSA-Hiking trail	42,839	6,787
Other grants	16,388	10,000
Total Government Grants and Subsidies	9,767,504	13,802,163

The municipality does not expect any significant changes to the level of grants.

Unspent conditional Dora, specific grants are instructed by use to conditions contain in the grant business plan where the grants are unspent or not committed such funds will be reversed back to National Treasury.

KHAI-MA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive 6kl free water and 50kwh free electricity per month, which is funded from this grant.

		2009 R	2008 R
27	PUBLIC CONTRIBUTIONS AND DONATIONS		
	Development Bank of South Africa	-	-
		-	-
28	CONTRIBUTED PROPERTY, PLANT AND EQUIPMENT		
	Land Affairs - Land	15,865,295	-
		15,865,295	-
29	CHANGES IN FAIR VALUE		
29.1	Transactions that gives an increase in surplus		
	Fair value changes in Investment Properties		
	Unamortised discount - Interest		
	Total changes in fair value	-	-
29.2	Transactions that gives an decrease in surplus		
	Unamortised discount - Interest		
	Fair value changes in Investment Properties		
	Total changes in fair value	-	-
30	OTHER REVENUE FROM NON-EXCHANGE TRANSACTIONS		
	None		
31	SERVICE CHARGES		
	Electricity	2,336,453	1,872,593
	Service Charges	2,519,440	1,872,593
	Less: Rebates	(182,987)	
	Water	1,815,023	2,602,935
	Service Charges	2,652,155	2,602,935
	Less: Rebates	(837,132)	
	Refuse Removal	331,151	1,062,725
	Service Charges	1,165,645	1,062,725
	Less: Rebates	(834,494)	
	Sewerage and Sanitation Charges	502,888	1,136,360
	Service Charges	1,322,965	1,136,360
	Less: Rebates	(820,077)	
	Other Service Charges - Private Works	-	-
	Total Service Charges	4,985,515	6,674,613

KHAI-MA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009 R	2008 R
32 OTHER INCOME		
Tariff Charges other	123,104	32,106
Commission- Electricity sales	-	8,367
Commission- Surcharges	-	3,799
Photostat copies	-	2,626
Sale of sand	-	20,964
Sundry income	-	95,000
Surplus cash	-	789
Sale of even	6,800	4,007
Total Other Income	129,904	167,658
33 UNAMORTISED DISCOUNT - INTEREST		
Annuity Loans - Note 4	488,549	158,319
Total Unamortised Discount - Interest	488,549	158,319
34 EMPLOYEE RELATED COSTS		
Employee Related Costs - Salaries and Wages	3,016,720	3,237,207
Employee Related Costs - Contributions for UIF, Pensions and Medical Aids	668,336	638,363
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	472,528	385,459
Housing Benefits and Allowances	50,017	49,832
Overtime Payments	162,280	136,006
Bonuses	245,415	-
Provision for leave	528,116	100,000
Provision for leave	-	(96,139)
Contribution to provision - Post Retirement Medical - Note 8	(22,073)	(30,991)
	5,121,338	4,419,737
Less: Employee Costs allocated elsewhere	-	-
Total Employee Related Costs	5,121,338	4,419,737
KEY MANAGEMENT PERSONNEL		
Key management personnel are all appointed on 5-year fixed contracts. There are no post-employment or termination benefits payable to them at the end of the contract periods.		
REMUNERATION OF KEY MANAGEMENT PERSONNEL		
Remuneration of the Municipal Manager		
Annual Remuneration	239,907	228,443
Performance Bonuses	-	-
Bonus	19,992	-
Car Allowance	116,050	114,537
Housing benefits and other allowances	33,760	32,000
Contributions to UIF, Medical and Pension Funds	71,287	68,372
Total	480,996	443,352
Remuneration of the Chief Finance Officer		
Annual Remuneration	183,619	169,547
Performance Bonuses	-	-
Bonus	15,302	-
Car Allowance	84,474	73,152
Housing benefits and other allowances	5,663	5,247
Contributions to UIF, Medical and Pension Funds	58,771	54,088
Total	347,849	302,034
Remuneration of Director : Community and Social Services		
Annual Remuneration	172,540	159,317
Performance Bonuses	-	-
Bonus	14,378	-
Car Allowance	64,775	55,966
Housing benefits and other allowances	16,899	-
Contributions to UIF, Medical and Pension Funds	1,497	1,473
Total	270,089	216,756

KHAI-MA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009 R	2008 R
Remuneration of Director : Corporate and Support Services		
Annual Remuneration	180,894	159,317
Acting Remuneration	28,089	-
Performance Bonuses	-	-
Bonus	14,378	-
Car Allowance	81,524	70,323
Housing benefits and other allowances	16,899	15,604
Contributions to UIF, Medical and Pension Funds	1,497	1,473
Total	323,261	246,717
35 REMUNERATION OF COUNCILLORS		
Mayor	322,524	283,059
Councillors	550,990	504,468
Travelling Allowances	291,534	261,569
Cell Phone Allowances	81,195	72,900
Total Councillors' Remuneration	1,246,244	1,121,996
In-kind Benefits		
The Executive Mayor, Executive Deputy Mayor, Speaker and Executive Committee Members are full-time Councillors. Each is provided with an office and shared secretarial support at the cost of the Municipality. The Executive Mayor may utilise official Council transportation when engaged in official duties.		
36 DEBT IMPAIRMENT		
Trade Receivables from exchange transactions - Note 21	26,388	4,380,936
Long-term Receivables - Note 19	-	-
Other Receivables from non-exchange transactions - Note 22	-	1,726,268
Total Contribution to Bad Debts Provision	26,388	6,107,204
37 ITEMS OF PPE DERECOGNISED		
Property, Plant and Equipment	7,922,807	921,521
Inventory	15,450	-
	7,938,257	921,521
38 FINANCE CHARGES		
Long-term Liabilities	96,788	116,135
Employee Benefits	229,722	156,272
Overdraft Facilities	3,579	55,371
Total finance charges	330,089	327,778
39 BULK PURCHASES		
Electricity	1,541,260	1,129,099
Water	854,121	621,720
Total Bulk Purchases	2,395,380	1,750,819
40 GRANTS AND SUBSIDIES PAID		
Grants-in-aid and Donations	-	-
Institutions	-	-
Total Grants and Subsidies	-	-

KHAI-MA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

		2009 R	2008 R
41	GENERAL EXPENSES		
	Advertisements	10,818	10,076
	Audit Fees	629,455	1,005,245
	Bank Charges	59,070	57,245
	Cleansing	5,542	6,149
	Commission - sale of electricity	34,746	24,615
	Electricity	392,367	309,572
	Fuel Vehicles	421,517	395,789
	Insurance	289,875	271,346
	Legal Fees	558,388	7,746
	Materials	59,214	61,644
	Membership Fees	29,895	23,202
	Postage and Telephone	255,764	264,408
	Printing and Stationary	74,729	79,454
	Travel Expenses	342,839	287,762
	Uniforms and Protective Clothing	12,268	9,640
	Other Projects	3,563,428	6,007,357
	Total General Expenses	6,739,916	8,821,251
42	CORRECTION OF ERROR IN TERMS OF GRAP 3		
42.1	Non-Current Provisions		1 July 2007
	Balance previously reported:		-
	Provision for rehabilitation of Landfill Site - GRAP 19		2,248,305
	Provision for Post Employment Health Care Benefits		1,909,751
	Total		4,158,056
42.2	Long-term Liabilities		
	Balance previously reported:		2,062,845
	Implementation of GRAP		(1,596,182)
	Unamortised Discount Not Previously Recognised - IFRS 7 - At Inception of Loan Movement for 2007/2008 Recognised in Statement of Financial Performance		(1,754,501)
	Total		466,663
			1 July 2007
42.3	Property, Plant and Equipment - GRAP 17		R
	Balance previously reported		35,937,526
	Implementation of GRAP		
	Assets Identified for the first time		7,116,105
	Total		43,053,631
			1 July 2007
42.4	Accumulated Depreciation - GRAP 17		R
	Balance previously reported		12,304,958
	Assets Identified for the First Time		168,465
	Backlog Depreciation: Land and Buildings		165,402
	Backlog Depreciation: Other		3,062
	Transfer to Accumulated Surplus/(Deficit) - Note 42.5		168,465

KHAI-MA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

42.5	Accumulated Surplus/(Deficit)		
	Implementation of GRAP		
	Non-Current Provisions - Note 42.1	(4,158,056)	
	Long Term Liabilities - Note 42.2	1,754,501	
	Property, Plant and Equipment - Note 42.3	7,116,105	
	Backlog Depreciation - Note 42.4	(168,465)	
	Capitalisation Reserve - Note 42.6	797,526	
	Government Grant Reserve - Note 42.7	11,236,430	
	Donations and Public Contributions Reserve - Note 42.8	221,480	
	Total	16,799,521	
		1 July 2007	
		R	
42.5	Capitalisation Reserve		
	Balance previously reported	797,526	
	Implementation of GRAP		
	Transfer to Accumulated Surplus/(Deficit) - Note 42.5	(797,526)	
	Total	-	
		1 July 2007	
		R	
42.7	Government Grant Reserve		
	Balance previously reported	11,236,430	
	Implementation of GRAP		
	Transfer to Accumulated Surplus/(Deficit) - Note 42.5	(11,236,430)	
	Total	-	
		1 July 2007	
		R	
42.8	Donations and Public Contributions Reserve		
	Balance previously reported	221,480	
	Implementation of GRAP		
	Transfer to Accumulated Surplus/(Deficit) - Note 42.5	(221,480)	
	Total	-	
		2009	2008
		R	R
42.9	Trade Receivables from Exchange Transactions		
	Impairment Balance previously reported	141,386	
	Additional Provision for Impairment	4,380,936	
	Restated Impairment Balance	4,522,322	
42.10	Other Receivables from Non-Exchange Transactions		
	Impairment Balance previously reported	29,854	
	Additional Provision for Impairment	1,526,268	
	Restated Impairment Balance	1,556,122	
43	RECONCILIATION BETWEEN NET SURPLUS/(DEFICIT) FOR THE YEAR AND CASH GENERATED/(ABSORBED) BY OPERATIONS		
	Surplus/(Deficit) for the year	6,740,987	(2,737,144)
	Adjustments for:		
	Depreciation and amortisation	1,690,466	1,450,503
	Impairments	7,922,807	921,521
	Contribution from/to provisions - Non-Current	480,200	311,968
	Contribution from/to provisions - Non-Current - Expenditure incurred	(82,824)	125,281
	Contribution from/to provisions - Non-Current - Actuarial losses	-	117,574
	Contribution from/to provisions - Non-Current - Actuarial gains	(126,371)	-
	Contribution to provisions - Bad debt	26,388	-
	Unamortised discount - Interest - Expenditure	488,549	158,319
	Investment income	(239,669)	(894,251)
	Interest paid	330,089	327,778
	Operating Surplus/(Deficit) before changes in working capital	17,220,622	(218,451)
	Changes in working capital	2,616,591	4,557,384
	Increase/(Decrease) in Trade and Other Payables	3,345,670	1,418,521
	Increase/(Decrease) in Unspent Conditional Government Grants and Receipts	2,013,845	(267,024)
	Increase/(Decrease) in Taxes	(324,338)	-
	(Decrease)/Increase in housing development fund	-	(63,578)
	(Increase)/Decrease in Inventory	14,960	(490)
	(Increase)/Decrease in Trade Receivables from exchange transactions	(2,311,747)	2,479,078
	(Increase)/Decrease in Other Receivables from non-exchange transactions	(121,799)	980,877
	Cash generated/(absorbed) by operations	19,837,213	4,338,933

KHAI-MA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

2009
R

2008
R

44

CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise the following:

Call Investments Deposits - Note 24	3,078,185	762,088
Cash Floats - Note 24	100	100
Bank - Note 24	-	-
Bank overdraft - Note 24	(555,619)	(768,756)
Total cash and cash equivalents	2,522,666	(6,568)

45

UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

Long-term Liabilities - Note 4	1,497,084	2,004,029
Used to finance property, plant and equipment - at cost	(1,497,084)	(2,004,029)
Cash set aside for the repayment of long-term liabilities	-	-
Cash invested for repayment of long-term liabilities	-	-

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act

46

UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

46.1

Unauthorised expenditure

Reconciliation of unauthorised expenditure:

Opening balance	-	-
Unauthorised expenditure current year	15,799,896	880,000
Approved by Council or condoned	(15,799,896)	(880,000)
Transfer to receivables for recovery	-	-
Unauthorised expenditure awaiting authorisation	-	-

Incident	Disciplinary steps/criminal proceedings
A council resolution was passed on the 30 June 2008 to utilise R880,000 of the municipal infrastructure grant funds for operating expenditure. The funds were invested again on 27 July 2008.	Approved by Council
A council resolution was passed on the date to utilise R1 700 000 of the municipal infrastructure grant funds for operating expenditure. The funds have not been invested again.	Approved by Council
Over expenditure of approved budget for the current financial year - R14 099 896	Approved at special meeting held on the 24th of November 2009.

46.2

Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure:

Opening balance	-	-
Fruitless and wasteful expenditure current year	5,544	-
Condoned or written off by Council	-	-
Transfer to receivables for recovery - not condoned	-	-
Fruitless and wasteful expenditure awaiting condonement	5,544	-

Incident	Disciplinary steps/criminal proceedings
Interest paid to Supplier: Eskom - R4 139	To be investigated
Additional payment to MD Paavo - R1 405	Approved by council on 24 November 2009

46.3

Irregular expenditure

Reconciliation of irregular expenditure:

Opening balance	515,866	14,274
Irregular expenditure current year	15,228,729	501,592
Condoned or written off by Council	-	-
Transfer to receivables for recovery - not condoned	-	-
Irregular expenditure awaiting condonement	15,744,595	515,866

KHAI-MA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

Incident	Disciplinary steps/criminal proceedings
Theft of NATIS Funds - SAPS case number VB280/06/2008 - R14 505	Disciplinary hearing date not yet determined
Theft of Deposit - SAPS case number MAS 157/02/08 - R3 370	SAPD busy with the investigation
Theft of Electricity Pre-paid Funds - SAPS case number MAS 57/02/2009-MAS 84/6 - R29 547	SAPD busy with the investigation
No tender agreement for erecting of 15-metre-high mast lighting of R468 444	To be investigated
Theft of Electricity Pre-paid Funds - R41 910	Disciplinary hearing date not yet determined
Non-compliance with Supply Chain Management Regulations	
- Three quotations not obtained - R58 907	To be investigated
- Tender approved in contravention with SCMP - R15 037 063	To be investigated
- No declaration of interest by suppliers - R16 654	To be investigated
Salary increases of section 57 employees not approved by council	
- P J Baker - R13 223	To be investigated
- N Jano - R13 223	To be investigated
Bonusses paid to section 57 employees without performance evaluations performed	
- P J Baker - R14 378	To be investigated
- N Jano - R14 378	To be investigated
- LD Beukes - R19 992	To be investigated

	2009 R	2008 R
47 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT		
47.1 Contributions to organised local government - [MFMA 125 (1)(b)] - SALGA CONTRIBUTIONS		
Opening balance	-	-
Council subscriptions	24,180	
Amount paid - current year	(24,180)	
Amount paid - previous years		
Balance unpaid (included in creditors)	-	-
47.2 Audit fees - [MFMA 125 (1)(b)]		
Opening balance	911,243	175,000
Current year audit fee	717,579	736,243
External Audit - Auditor-General	717,579	736,243
Internal Audit	-	-
Audit Committee	-	-
Amount paid - current year	(278,972)	-
Amount paid - previous year	-	-
Balance unpaid (included in creditors)	1,349,850	911,243
47.3 VAT - [MFMA 125 (1)(b)]		
Opening balance	-	-
Amounts received - current year		
Amounts claimed - current year (payable)		
Amount paid - current year		
Amount paid - previous year		
Closing balance	-	-
47.4 PAYE and UIF - [MFMA 125 (1)(b)]		
Opening balance	-	-
Current year payroll deductions	719,797	715,832
Amount paid - current year	(719,797)	(715,832)
Balance unpaid (included in creditors)	-	-
47.5 Pension and Medical Aid Deductions - [MFMA 125 (1)(b)]		
Opening balance	-	-
Current year payroll deductions and Council Contributions	1,054,477	1,037,011
Amount paid - current year	(1,054,477)	(1,037,011)
Amount paid - previous year	-	-
Balance unpaid (included in creditors)	-	-
47.6 Councillor's arrear consumer accounts - [MFMA 125 (1)(b)]		
The following Councillors had arrear accounts for more than 90 days as at 30 JUNE 2009:		

KHAI-MA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

The following Councillors had arrear accounts for more than 90 days as at:

30th June 2008	Total	Outstanding less than 90 days	Outstanding more than 90 days
Councillor M. Groenewaldt	4,620	1,427	3,193

The following Councillors had arrear accounts outstanding for more than 90 days during the year:

30th June 2009	Total	Outstanding less than 90 days	Outstanding more than 90 days
Councillor M. Groenewaldt	7,515	1,114	6,401
Councillor S.S. Brandt	3,678	1,487	2,191
Councillor F.X.J. van Rooyen	821	821	-
Councillor J.J. Swartbooi	1,519	1,412	107

	Highest Amount Outstanding	Ageing
Councillor M. Buntjies	6,401	90 days +

47.7 **Non-compliance with Chapter 14 of the Municipal Finance Management Act**

Non-compliance to the Supply Chain Management Regulations were identified on the following categories:

	Less than R30,000	Between R30,001 and R200,000	Between R200,001 and R2,000,000	More than R2,000,001
Inventory	-	-	-	-
Insurance	-	-	-	-
Other - Housing	-	-	1,356,653	13,650,715
Executive & Council	-	-	-	-
Corporate Services	-	-	-	-
Community Services	-	-	-	-
Financial Services	-	-	-	-
Technical Services	-	-	-	-
Electrical Services	-	-	-	-
Town Planning	-	-	-	-
Strategic Services	-	-	-	-
	-	-	1,356,653	13,650,715

47.8 **Material losses - [MFMA 125 (2)(d)]**

The following material distribution losses incurred during the year:

	2009 R	2008 R
Water (%)	14.00	12.50
Water (Rand Value)	368,977	292,486
Electricity (%)	16.30	14.73
Electricity (Rand Value)	474,236	326,675

48 **CAPITAL COMMITMENTS**

Commitments in respect of capital expenditure:

Approved and contracted for:	-	-
Infrastructure	-	-
Community	-	-
Other	-	-
Approved but not yet contracted for:	-	-
Infrastructure	-	-
Community	-	-
Other	-	-
Total	-	-

This expenditure will be financed from:

External Loans	-	-
Government Grants	-	-
Own Resources	-	-
District Council Grants	-	-
	-	-

KHAI-MA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

		2009 R	2008 R
49	RETIREMENT BENEFIT INFORMATION		
	Council employees contribute to the Cape Joint Municipal Pension Fund, SALGA and SAMWU National Provident Fund which is a defined contribution fund. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs. Full actuarial valuations are performed at least every five years. The last valuations was done on 30 June 2008.		
50	FINANCIAL RISK MANAGEMENT		
	The activities of the municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.		
	(a) Foreign Exchange Currency Risk		
	The municipality does not engage in foreign currency transactions.		
	(b) Interest Rate Risk		
	The Municipality is exposed to interest rate risk due to the movements in long-term and short term interest rates.		
	This risk is managed on an ongoing basis.		
	(c) Credit Risk		
	Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the Municipality to incur financial loss.		
	Credit risk arises mainly from cash and cash equivalents, instruments and deposits with banks and financial institutions, as well as credit exposures to consumer and grant debtors.		
	For banks and financial institutions, only independently rated parties with a minimum rating of 'B+' are accepted. Grants are receivable from higher order levels of government. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. This increases the credit risk in respect of consumer debtors. The risk of non-payment is managed on an ongoing basis and where practical, services are terminated and procedures applied to recover outstanding amounts owing and an appropriate level of impairment provision for default is maintained.		
	(d) Liquidity Risk		
	Liquidity risk is the risk that the municipality will encounter difficulty in raising funds to meet commitments associated with financial liabilities.		
	Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, the availability of funding from an adequate amount of committed credit facilities.		
	The financial liabilities of the municipality are backed by appropriate assets and it has adequate liquid resources. The Council monitors the cash projections and by ensuring that borrowing facilities are available to meet its cash requirements.		
	(e) Other Risks		
	Potential concentrations of credit risk and interest rate risk consist mainly of fixed deposit investments, long-term debtors, consumer debtors, other debtors, short-term investment deposits and bank and cash balances.		
	The municipality limits its counterparty exposures from its money market investment operations by only dealing with well-established financial institutions of high credit standing. The credit exposure to any single counterparty is managed by setting transaction / exposure limits, which are included in the municipality's investment Policy. These limits are reviewed annually by the CFO and authorised by the Municipal Council.		
	Consumer debtors comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Consumer debtors are presented net of an allowance for doubtful debt.		

KHAI-MA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

	2009 R	2008 R
The maximum credit and interest risk exposures in respect of the relevant financial instruments are as follows:		
Investments	-	-
Long Term Receivables	-	-
Trade receivables from exchange transactions	2,423,867	138,508
Other receivables from non-exchange transactions	967,103	845,304
Other Debtors	-	-
Taxes	324,338	-
Current Portion of Long-term Receivables	-	-
Short-term Investment Deposits	3,078,185	762,088
Bank and Cash Balances	100	100
Maximum Credit and Interest Risk Exposures	6,793,592	1,746,000

51

FINANCIAL INSTRUMENTS

In accordance with IAS 39.09 the financial assets of the municipality are classified as follows:

<u>Financial Assets</u>	<u>Classification</u>		
Investments			
Fixed Deposits	Held to maturity	-	-
Long-term Receivables			
Staff Loans	Loans and Receivables	-	-
Consumer Debtors			
Trade receivables from exchange transactions	Loans and Receivables	2,423,867	138,508
Other receivables from non-exchange transactions	Loans and Receivables	967,103	845,304
Other Debtors			
Payments made in Advance	Loans and Receivables		
VAT	Loans and Receivables	324,338	-
Government Subsidies and Grants	Loans and Receivables		
Current Portion of Long-term Receivables			
Staff Loans	Loans and Receivables	-	-
Short-term Investment Deposits			
Call Deposits	Held to maturity	3,078,185	762,088
Bank Balances and Cash			
Bank Balances	Held to maturity	-	-
Cash Floats and Advances	Held to maturity	100	100
Financial Liability	Classification		
Non-Current Liabilities			
Long-term Liabilities	Loans and Payables	1,497,084	2,004,029
Current Liabilities			
Trade and other payables	Loans and Payables	5,537,527	2,191,857
Unspent Conditional Grants	Loans and Payables	2,750,861	736,816
Consumer Deposits	Loans and Payables	47,767	41,807
Taxes	Loans and Payables	-	-
Bank Balances and Cash			
Bank Balances	Held to maturity	555,619	768,756

KHAI-MA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

		2009 R	2008 R
SUMMARY OF FINANCIAL ASSETS			
Held to maturity:			
Investments	Fixed Deposits	-	-
Short-term Investment Deposits	Call Deposits	3,078,185	762,088
Bank Balances		-	-
Cash Floats and Advances		100	100
		<u>3,078,285</u>	<u>762,188</u>
Loans and Receivables			
Long-term Receivables	Staff Loans	-	-
Consumer Debtors	Exchange transactions	2,423,867	138,508
Consumer Debtors	Non-exchange transactions	967,103	845,304
Other Debtors	Payments made in advance	-	-
Other Debtors	Government Subsidies and Grants	-	-
Current Portion of Long-term Receivables	Staff Loans	-	-
VAT	VAT	324,338	-
		<u>3,715,308</u>	<u>983,812</u>
Total Financial Assets		<u>6,793,592</u>	<u>1,746,000</u>
SUMMARY OF FINANCIAL LIABILITIES			
Held to maturity:			
Bank Balances	Primary Bank Account	555,619	768,756
		<u>555,619</u>	<u>768,756</u>
Loans and Payables			
Long-term Liabilities	External Loans	1,497,084	2,004,029
Trade and other payables	Creditors	5,537,527	2,191,857
Unspent Conditional Grants	Unspent Grants	2,750,661	736,816
Consumer Deposits		47,767	41,807
Taxes	VAT	-	-
		<u>9,833,039</u>	<u>4,974,509</u>
Total Financial Liabilities		<u>10,388,658</u>	<u>5,743,265</u>
52	EVENTS AFTER THE REPORTING DATE		
	The Municipality is not aware of any events after the reporting date.		
53	IN-KIND DONATIONS AND ASSISTANCE		
	None		
54	PRIVATE PUBLIC PARTNERSHIPS		
	Council has not entered into any private public partnerships during the financial year.		
55	COMPARISON WITH THE BUDGET		
	The comparison of the municipality's actual financial performance with that budgeted, is set out in Annexures "E (1) and E (2)".		
56	CONTINGENT LIABILITY		
	The municipality is not aware of any contingent liabilities.		

KHAI-MA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

			2009 R	2008 R
57	RELATED PARTIES			
	Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents.			
57.1	Related Party Transactions			
		Rates	Service Charges	Other
	Year ended 30 JUNE 2009			Outstanding Balances
	Councillors	963	12,570	-
	Municipal Manager and Section 57 Employees	552	1,360	-
	Year ended 30 JUNE 2008			
	Councillors		7,251	-
	Municipal Manager and Section 57 Employees	532	1,189	-
	The rates, service charges and other charges are in accordance with approved tariffs that were advertised to the public. No bad debt expenses have been recognised in respect of amounts owed by related parties.			
57.2	Related Party Loans			
	Since 1 July 2004 loans to councillors and senior management employees are not permitted. Loans granted prior to this date, together with the conditions, are disclosed in note 19 to the Annual Financial Statements.			
57.3	Compensation of key management personnel			
	The compensation of key management personnel is set out in note 34 to the Annual Financial Statements.			
57.4	Other related party transactions			
	The following purchases were made during the year where Councillors or staff have an interest:			
	<u>Councillor/Staff Member</u>	<u>Entity</u>		
58	Process to comply fully with the implementation of General Recognised Accounting Practices (GRAP)			
	The municipality adopted a phased-in approach in order to comply fully with the implementation of GRAP. The municipality is classified by the National Treasury as a low capacity municipality and must comply with GRAP by 30 June 2010.			
59	Exemptions taken according to those in Directive 4 - Transitional Provisions for Medium and Low Capacity Municipalities.			
59.1	GRAP 19 -Provisions, Contingent Liabilities and Contingent Assets			
	The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in March 2009. The municipality did not measure all provisions, contingent liabilities or contingent assets relating to Property, Plant and Equipment.			
	The municipality is currently in a process of identifying all provisions which must be measured in terms of GRAP 19 and it is expected that this process will be completed for inclusion in the 2010 financial statements.			
59.2	GRAP 100 -Non-current assets and discontinued operations			
	The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in March 2009. The municipality did not recognise non-current assets held for sale and discontinued operations relating to Inventories, Investment Properties, Property, Plant and Equipment, Agriculture and Intangible Assets which are not recognised in terms of the transitional provisions relating to those standards.			

KHAI-MA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

59.3 GRAP 16 - Investment Properties

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in March 2009. The municipality did not recognise all the Investment Properties.

The municipality is currently in a process of identifying all Investment Properties and have it valued in terms of GRAP 16 and it is expected that this process will be completed for inclusion in the 2010 financial statements.

Since the previous reporting date the following Investment Properties were measured at fair value in accordance with GRAP 16 and restated retrospectively:

Land with undetermined use;
Land;
Buildings; and
Land and Buildings.
Total not previously recognised now restated retrospectively

R	R
-	-
-	-
-	-
-	-
-	-
-	-

59.4 GRAP 102 - Intangible Assets

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in March 2009. The municipality did not recognise or measure all the Intangible Assets in accordance with the standard, including the following:

Computer Software;
Intangible assets financed by way of finance leases;
Intangible assets transferred as a result of the transfer of functions; and
Servitudes.

The municipality is currently in a process of identifying all Intangible Assets and have it valued in terms of GRAP 102 and it is expected that this process will be completed for inclusion in the 2010 financial statements. It is possible that certain intangible assets are currently being recognised as Property, Plant and Equipment.

Since the previous reporting date the following Intangible Assets were measured in accordance with GRAP 102 and restated retrospectively:

Computer software;
Accumulated amortisation on computer software
Total not previously recognised now restated retrospectively

R	R
-	-
-	-
-	-
-	-
-	-
-	-

59.5 GRAP 12 - Inventories

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in March 2009. The municipality did not recognise the following inventories:

Water;
Land held for sale; and
Other (list).

The municipality is currently in a process of identifying all inventory which must be measured in terms of GRAP 12 and it is expected that this process will be completed for inclusion in the 2010 financial statements.

Since the previous reporting date the following inventories were measured in accordance with GRAP 12 and restated retrospectively:

Water;
Land held for sale; and
Other (list).

R	R
-	-
-	-
-	-
-	-
-	-
-	-

59.6 GRAP 17 - Property, Plant and Equipment

Exemptions taken according to Directive 4 - Transitional Provisions for Medium and Low Capacity Municipalities. Refer to Note 13

60 Going Concern

During the current financial year the Municipality experienced severe cash flow problems. This is due to the fact that the Municipality has a very small income base because of the severe number of unemployed households within the region. The Municipality is dependant on grant funding due to the small income base. Should the Equitable Share not be increased substantially in the future, the Municipality will be faced with serious going concern problems.

APPENDIX A
KHAI-MA MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2009

EXTERNAL LOANS	Rate	Loan Number	Redeemable	Balance at 30 JUNE 2008	Received during the period	Redeemed written off during the period	Balance at 30 JUNE 2009	Carrying Value of Property, Plant & Equipment	Other Costs in accordance with the MFMA
LONG-TERM LOANS									
Stock Loan				-	-	-	-	-	-
Total Long-term Loans				-	-	-	-	-	-
ANNUITY LOANS									
Administration/Finance Loan				-	-	-	-	-	-
ABSA	14.00%		30/06/2012	72,305	-	14,589	57,717	-	-
DBSA	5.00%		30/06/2013	1,931,724	-	492,357	1,439,367	-	-
Total Annuity Loans		SR Pofadder NC102355.1.		2,004,029	-	506,945	1,497,084	-	-
GOVERNMENT LOANS									
Other				-	-	-	-	-	-
Total Government Loans				-	-	-	-	-	-
LEASE LIABILITY									
AOT FINANCE	7.46%			58,816	-	23,973	34,843	-	-
Total Lease Liabilities		ESTETNER DMS62	31/10/2010	58,816	-	23,973	34,843	-	-
TOTAL EXTERNAL LOANS				2,062,845	-	530,919	1,531,927	-	-

APPENDIX B

KHAI MA MUNICIPALITY : ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2009

	Cost/Revaluation				Accumulated Depreciation				Carrying Value
	Opening Balance	Residual Value Opening Balance	Additions	Revaluation	Impairments	Under Construction	Residual Value Disposals	Closing Balance	
Land and Buildings									
Land	14,346,053		15,865,295	1,205,268	6,783,907			24,652,710	24,652,710
Buildings	1,307,575	745,638		355,297				1,175,310	1,175,310
	15,653,629	1,951,106	15,865,295	1,951,106	7,119,204			522,806	25,828,020
Infrastructure									
Roads	2,970,801							1,110,204	1,861,597
Security measures	20,122							9,156	10,966
Sewerage	3,020,710		755,689					1,720,993	2,655,406
Electricity Mains	2,761,277				10,448			1,712,669	1,038,160
Water Mains & Purification	10,024,656		50,968	28,000	87,229			7,043,613	2,992,981
Reservoirs – Water	650,000							560,000	90,000
Water Meters	61,951							12,734	49,217
	19,509,717	806,656	806,656	28,000	77,678			11,576,369	8,698,327
Community Assets									
Parks & Gardens	75,000			27,900	75,000			930	26,970
Libraries	542,400				486,500	10,826		1,863	64,863
Recreation Grounds	6,412,634			91,100	75,000			430,279	6,059,455
Care Centre	468,803			17,267	135,803			9,816	41,449
Clinics and Hospitals	432,132			2,459,080	98,252			227,994	2,564,970
Community Centres	185,860				172,660			433	12,567
Public conveniences	152,507				132,650			7,943	11,914
	7,970,136	-	-	2,555,350	1,175,865	10,826	-	570,260	3,681,183
Heritage Assets									
Historical Buildings									
Painting & Art Galleries									
	43,133,482	-	16,871,951	4,534,456	8,372,746	10,826	-	12,780,435	43,197,535
Total carried forward									

APPENDIX B
KHAI MA MUNICIPALITY : ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2009

NTPI RWA WORKSHEET - PAYMENT OF TOTAL PAYMENT FOR THE YEAR 2022												
	Cost					Accumulated Depreciation					Carrying Value	
	Opening Balance	Residual Value Opening Balance	Additions	Revaluation	Impairments	Under Construction	Residual Value Disposals	Closing Balance	Opening Balance	Disposals		Closing Balance
Total brought forward	43,133,482	-	16,671,951	4,534,456	8,372,746	10,826	-	55,977,669	12,251,520	1,139,874	12,780,435	43,197,535
Housing Rental Stock	-	-	-	-	-	-	-	-	-	-	-	-
Housing Rentals	-	-	-	-	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-	-	-	-
Leased Assets	114,399	-	-	-	-	-	-	114,399	64,826	22,880	87,706	26,693
Office Equipment	114,399	-	-	-	-	-	-	114,399	64,826	22,880	87,706	26,693
Other Assets	106,788	-	-	-	-	-	-	106,788	22,675	5,398	28,073	78,715
Landfill sites	269,724	-	-	-	153,768	-	-	115,956	141,956	36,889	33,709	82,247
Office Equipment	359,162	-	-	-	116,649	-	-	242,668	104,559	32,520	53,418	189,270
Furniture & Fittings	3,113,556	-	175	-	553,293	-	-	2,560,263	877,957	352,360	700,724	1,859,539
Motor vehicles	238,591	-	-	-	30,681	-	-	207,910	53,814	30,413	56,994	150,915
Plant and equipment	458,506	-	-	-	345,863	-	-	122,292	308,678	42,507	29,253	93,039
Computer equipment	185,088	-	-	-	79,500	-	-	85,588	17,969	17,527	24,454	61,134
Fire equipment	-	-	-	-	-	-	-	-	-	-	-	-
	4,711,415	-	9,824	-	1,279,754	-	-	3,441,484	1,327,646	517,613	926,626	2,514,859
Total Property, Plant and Equipment	47,859,295	-	16,681,775	4,534,456	9,652,500	10,826	-	59,533,852	13,843,962	1,680,466	13,794,766	45,739,086

APPENDIX C

54

APPENDIX D
KHAI-MA MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2009
MUNICIPAL VOTES CLASSIFICATION

2008 Actual Income R	2008 Actual Expenditure R	2008 Surplus/ (Deficit) R		2009 Actual Income R	2009 Actual Expenditure R	2009 Surplus/ (Deficit) R
35,851	2,603,837	(2,567,986)	Executive and Council	14,049	(2,524,488)	(2,510,439)
5,801,022	10,098,843	(4,297,821)	Finance and Administration	18,624,057	(4,147,361)	14,476,697
10,145	378,536	(368,391)	Planning and Development	43,174	(446,039)	(402,865)
2,048,916	2,533,919	(485,003)	Community and Social Services	1,813,832	(6,085,285)	(4,271,453)
768,945	768,945	-	Housing	1,478,404	(1,478,404)	-
	6,974	(6,974)	Public Safety	-	(6,845)	(6,845)
120,000	462,497	(342,497)	Sport and Recreation	-	(543,536)	(543,536)
35,318	4,227	31,091	Environmental Protection	-	-	-
1,116,916	1,161,875	(44,959)	Waste Management	391,314	(1,530,513)	(1,139,199)
2,207,641	1,277,730	929,911	Waste Water Management	1,374,812	(2,039,573)	(664,761)
1,370,774	683,690	687,084	Road Transport	177,091	(815,911)	(638,820)
3,834,908	2,601,601	1,233,307	Water	2,899,499	(5,972,973)	(3,073,474)
2,220,785	1,881,237	339,548	Electricity	2,372,683	(2,554,167)	(181,484)
4,950,081	2,794,535	2,155,546	Other	6,123,205	(426,038)	5,697,167
24,521,302	27,258,446	(2,737,144)	Sub Total	35,312,121	(28,571,134)	6,740,987
1,019,202	1,019,202	-	Less Inter-Departmental Charges	(1,623,304)	1,623,304	-
25,540,504	28,277,648	(2,737,144)	Total	33,688,817	(26,947,830)	6,740,987

APPENDIX E(1)
KHAI-MA MUNICIPALITY
REVENUE AND EXPENDITURE
ACTUAL VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2009
MUNICIPAL VOTES CLASSIFICATION

	2009 Actual (R)	2009 Budget (R)	2009 Variance (R)	2009 Variance (%)	Explanation of Significant Variances greater than 10% versus Budget
REVENUE					
Property Rates	1,465,115	1,480,940	(15,825)	-1.07%	
Government Grants and Subsidies	9,767,504	34,344,983	(24,577,479)	-71.56%	Capital projects not started
Public Contributions and Donations	-	-	-	0.00%	
Fines	63,550	50,000	13,550	27.10%	More efficient law enforcement
Third Party Payments	-	-	-	0.00%	
Stock Adjustments	-	-	-	0.00%	
Actuarial Gains	126,371	-	126,371	0.00%	
Property Rates - Penalties & Collection Charges	-	-	-	0.00%	
Service Charges	4,985,515	5,215,390	(229,875)	-4.41%	
Rental of Facilities and Equipment	93,966	84,900	9,066	10.68%	More rentals
Interest Earned - External Investments	239,669	150,000	89,669	59.78%	More investments than budgeted
Interest Earned - Outstanding Debtors	838,837	518,940	319,897	61.64%	Non payment of municipal charges
Licences and Permits	14,668	13,900	768	5.52%	
Agency Services	98,423	100,000	(1,577)	-1.58%	
Other Revenue	129,904	1,285,100	(1,155,196)	-89.89%	Less income received
Unamortised Discount - Interest	-	-	-	0.00%	
Dividends Received	-	-	-	0.00%	
Contributed PPE	15,865,295	15,865,400	(105)	0.00%	More PPE received than budgeted
Gains on Disposal of PPE	-	-	-	0.00%	
Total Revenue	33,688,817	59,109,553	(25,420,736)	(0)	
EXPENDITURE					
Executive and Council	(2,524,488)	(2,576,780)	52,292	-2.03%	
Finance and Administration	(4,147,361)	(5,125,850)	978,489	-19.09%	Implementation of GRAP 17, 19
Planning and Development	(446,039)	(535,680)	89,641	-16.73%	Salary expenditure lower than budgeted
Community and Social Services	(6,085,285)	(1,855,730)	(4,229,555)	227.92%	Implementation of GRAP 17, 19
Housing	(1,478,404)	(18,261,978)	16,783,574	-91.90%	Project transferred to Department
Public Safety	(6,845)	(30,500)	23,655	-77.56%	Less expenditure incurred
Sport and Recreation	(543,536)	(352,010)	(191,526)	54.41%	Implementation of GRAP 17, 19
Environmental Protection	-	-	-	0.00%	
Waste Management	(1,530,513)	(970,860)	(559,653)	57.65%	Implementation of GRAP 17, 19
Waste Water Management	(2,039,573)	(1,344,750)	(694,823)	51.67%	Implementation of GRAP 17, 19
Road Transport	(815,911)	(698,590)	(117,321)	16.79%	Implementation of GRAP 17, 19
Water	(5,972,973)	(2,672,690)	(3,300,283)	123.48%	Implementation of GRAP 17, 19
Electricity	(2,554,167)	(2,418,090)	(136,077)	28.95%	Implementation of GRAP 17, 19
Other	(426,038)	(470,000)	43,962	3.79%	
Less Internal Charges	1,623,304	1,160,000	463,304	-1.28%	
Total Expenditure	(26,947,830)	(36,153,508)	9,205,678	4	
SURPLUS / (DEFICIT) FOR THE YEAR	6,740,987	22,956,045	(16,215,058)	4	

APPENDIX E (2)
KHAI-MA MUNICIPALITY
ACTUAL VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2009
ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT & INTANGIBLE ASSETS
MUNICIPAL VOTES CLASSIFICATION

	2009 Actual	2009 Under Construction	2009 Total Additions	2009 Budget	2009 Variance	2009 Variance %	Explanation of Significant Variances greater than 5% versus Budget
	R	R	R	R	R		
Executive and Council	9,824	-	9,824	50,000	(40,176)	-80.35% were started	Due to political instability very few projects were started
Finance and Administration	-	-	-	-	-	#DIV/0!	
Planning and Development	-	-	-	-	-	#DIV/0!	
Community and Social Services	15,865,295	-	15,865,295	16,111,400	(246,105)	-1.53%	
Housing	-	-	-	-	-	#DIV/0!	
Public Safety	-	-	-	-	-	#DIV/0!	
Sport and Recreation	-	-	-	90,000	(90,000)	-100.00% were started	Due to political instability very few projects were started
Environmental Protection	-	-	-	-	-	#DIV/0!	
Waste Management	-	-	-	-	-	#DIV/0!	
Waste Water Management	755,689	-	755,689	1,634,000	(878,311)	-53.75% were started	Due to political instability very few projects were started
Road Transport	-	-	-	750,000	(750,000)	-100.00% were started	Due to political instability very few projects were started
Water	50,968	-	50,968	3,561,800	(3,510,832)	-98.57% were started	Due to political instability very few projects were started
Electricity	-	-	-	750,000	(750,000)	-100.00% were started	Due to political instability very few projects were started
Other	-	-	-	-	-	#DIV/0!	
Total	16,681,775	-	16,681,775	22,947,200	(6,265,425)	-0.273036581	

APPENDIX F
KHAI-MA MUNICIPALITY
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grant Description	Balance 1 JULY 2008	Correction of error	Restated balance 1 JULY 2008	Contributions during the year	Interest on Investments	Trade Payables	Other Income	Operating Expenditure during the year Transferred to Revenue	Capital Expenditure during the year Transferred to Revenue	VAT Recognised as Income	Balance 30 JUNE 2009
	R		R	R	R	R	R	R	R	R	R
TRUST FUNDS											
DWAF (Donorfunds)	-		-	541,103	-	-	-	541,103	-	-	-
Namakwa Districts Munisipaliteit- Omgewings Gesondheid	-		-	-	-	-	-	-	-	-	-
Department of Housing and Local Government-Operating	-		-	-	-	-	-	-	-	-	-
Namakwa Districtmunisipaliteit-Job creation	-		-	-	-	-	-	-	-	-	-
Namakwa Districtmunisipaliteit-Repair of pumps	-		-	283,168	-	-	-	250,000	33,168	-	0
Department Sport Arts and Culture - Sport Development	-		-	-	-	-	-	-	-	-	-
Department of Transport, Roads and Public Works -Job creation	-		-	-	-	-	-	-	-	-	-
DWAF - Feasibility studie (Wilbank and Pella)	-		-	-	-	-	-	-	-	-	-
DPLG - Equitable share	-		-	-	-	-	-	-	-	-	-
Finance Management Grant	240,312		240,312	5,873,205	-	-	-	5,873,205	9,649	1,351	976,160
Municipal System Improvement Grant	88,090		88,090	1,230,000	-	-	-	503,153	-	-	736,267
Department Sport Arts and Culture - Library Development	140,389		140,389	735,000	-	-	-	86,823	10,826	1,006	259,998
Provincial Infrastructure Grant	44,655		44,655	275,000	-	-	-	144,059	17,800	2,492	24,363
Department of Minerals and Energy	-		-	-	-	-	-	-	-	-	-
Municipal Infrastructure Grant- National	1,946		1,946	3,066,796	-	1,700,000	-	-	755,689	52,319	560,735
Municipal Infrastructure Grant- Provincial	41,764		41,764	-	-	-	-	-	-	-	41,764
Department Environmental Affairs and Conservation	-		-	-	-	-	-	-	-	-	-
Siyanda Districtmunicipality (House even 161)	-		-	-	-	-	-	-	-	-	-
Department of Health- (Abulionblock)	96,841		96,841	1,469,557	-	-	-	1,478,404	-	-	87,994
Department of Housing and Local Government - Housing	18,130		18,130	23,900	-	-	-	-	-	-	42,030
LGSETA	-		-	-	-	-	-	-	-	-	-
Extended Public Works Programme	-		-	-	-	-	-	-	-	-	-
Other Subsidies	-		-	17,288	-	-	-	17,288	-	-	-
DBSA Grant	55,008		55,008	-	-	-	-	42,839	-	-	12,169
Namakwa Diamond Fund Trust	9,181		9,181	-	-	-	-	-	-	-	9,181
Black Mountain	-		-	3,500	-	-	-	3,500	-	-	-
Total	736,816	-	736,816	13,538,516	-	1,700,000	-	8,940,372.38	827,131.63	57,167.17	2,750,661